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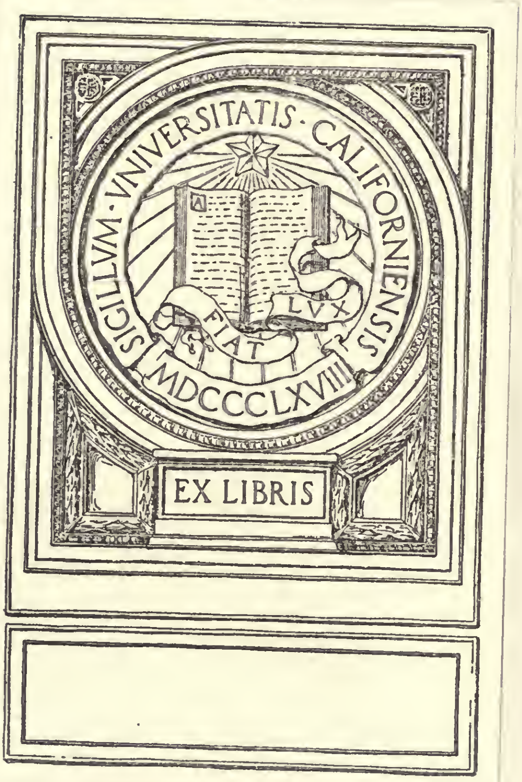
LABORATORY MANUAL

# Elements of Accounting

1921 EDITION

Fayette H. Elwell, B. A., C. P. A.
PROFESSOR OF ACCOUNTING
THE UNIVERSITY OF WISCONSIN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FAYETTE H. ELWELL

THE PARKER COMPANY
MADISON, WISCONSIN

# PREFACE

From the problems presented in this set are selected those which compromise the laboratory problem work for the second semester course in Elements of Accounting given in the Course in Commerce, University of Wisconsin. This set supplements the laboratory material contained in the text.

Particular attention is called to the fact that Problems 59, 60, 68, 69, 70, 73, 75, 92, and 109 are copyrighted by Professor John R. Wildman. Permission for including them in this set was duly secured, and I herewith express my sincere appreciation to Professor Wildman for this courtesy.

Problems 21, 22, 24, 26, 49, 51, 52, 71, 72, 114, 115, and 116 have been adapted for use from the English Intermediate and Final Examinations.

Several problems are quoted from or adapted from State C. P. A. Examinations.

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F. H. ELWELL.

July 1, 1921.

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UNIV. OF CALIFORNIA

## PROBLEM 1

1. The daily payroll of the X Manufacturing Co. is $500, and the men are paid every Saturday night. If the last day of the month falls on Thursday, what adjusting entry would you make for the payroll?

2. You find on the ledger of the J. B. Cox Co. an account called Unexpired Insurance $800 Dr. and one called Insurance $350 Dr.
   a. Which account would you close into Profit and Loss?
   b. How did the debit get into the Insurance Account—through the cash book, journal, or purchase book?

3. On December 31, the following entry was made to take up the accrued interest on a note receivable:

| | | |
|---|---|---|
| Accrued Interest on Notes Receivable | $200 | |
| Interest Earned | | $200 |

   On January 15 the interest amounting to $210 was paid. Prepare the necessary cash book entry to record the payment.

4. Give the adjusting entries for the following:
   At the close of the year Dec. 31, an interest bearing note payable in favor of John Jones dated Nov. 25, at 90 days for $300, is outstanding. Also a note receivable with interest dated Dec. 15, for $100 and signed by Chas. Sprague.
   Taxes for the month are estimated at $20.
   Gas and electric bills amounting to $15 are unpaid.
   Manager's salary for month amounting to $150 is unpaid.
   It is estimated that the horses used for delivery purposes have eaten $25 worth of feed which had been bought and paid for in previous months.

5. Make the journal entries necessary for the following adjustments at the close of a period:

| | |
|---|---|
| Depreciation on Building | $ 20 |
| Depreciation on Office Equipment | 5 |
| Depreciation on Store Furniture | 10 |
| Depreciation on Delivery Equipment | 100 |
| Bad Debts | 50 |
| Office Supplies on Hand | 15 |
| Prepaid Advertising | 60 |
| Freight on Goods Purchased | 200 |
| Store Employes Unpaid | 30 |
| Care of Delivery Truck Bill Unpaid | 20 |
| Interest Accrued on Notes Receivable | 15 |
| Expired Insurance on Stock | 25 |
| Merchandise Inventory | 6,000 |

6. The A Company shipped a bill of goods amounting to $460.00 to a customer, rendering the usual invoice therefor. The goods were destroyed in transit by a railway wreck. The A Company subsequently made a second shipment to its customer to replace the lost goods, and collected $460.00 from the railway company in payment of the lost shipment. Give the complete entries for this transaction.

(New York, 1915)

## PROBLEM 2

On December 31, 19—you were asked to close the books of the business of F. W. Barton. The present worth which you obtain is to be accepted as the value of the business by R. J. Carter, who is purchasing Barton's business. The ledger balances are as follows:

| | |
|---|---|
| F. W. Barton, Investment | $18,515 |
| Real Estate | 1,000 |
| Buildings and Fixtures | 8,000 |
| Furniture and Furnishings | 2,250 |
| Automobile Delivery Truck | 550 |
| Accounts Receivable | 7,875 |
| Accounts Payable | 5,425 |
| Discounts on Sales | 50 |
| Merchandise Inventory, Jan. 1, 1919 | 10,000 |
| Discount on Purchases | 180 |
| Merchandise Sales | 15,000 |
| Merchandise Purchases | 6,000 |
| Unexpired Insurance | 75 |
| Salaries and Wages | 2,000 |
| General Expense | 1,000 |
| Interest Paid | 25 |
| Interest Earned | 20 |
| Notes Receivable | 300 |
| Notes Payable | 400 |
| Advertising | 120 |
| Rent Received from Offices Upstairs | 480 |
| Cash on Hand | 775 |

a. Use the following data in determining the net profit or loss and the net worth of the business:

| | |
|---|---|
| Mdse. Inventory, December 31, 1919 | $ 6,000 |
| General Expenses Prepaid | 50 |
| General Expenses Accrued | 25 |
| Insurance Unexpired | 50 |
| Interest Accrued on Notes Receivable | 10 |
| Interest Accrued on Notes Payable | 5 |
| Salaries and Wages Accrued | 70 |

Barton and Carter agree that the fixed assets should be valued as follows:

| | |
|---|---|
| Real Estate | $ 1,500 |
| Buildings and Fixtures | 7,500 |
| Furniture and Furnishings | 2,000 |
| Automobile Delivery Truck | 400 |

b. What amount should Carter pay for the business?

Carter paid Barton the price obtained above by:

(1) The check he (Carter) received from Ames Dwight for $1,200;
(2) A New York draft of $1,500 which he received of A. Radway;
(3) An accepted 10 day draft for $1,000 drawn on J. W. Miner by R. W. Wilson, and transferred to Carter by endorsement;
(4) An accepted 30 day draft on J. Murray for $500;
(5) Cash for the balance.

Make the journal entry in Barton's books which will record the payment by Carter of the above amounts.

## PROBLEM 3

Group the accounts given in Problem 2, according to assets, liabilities, proprietary interest, income and expense. Follow the same general arrangement as indicated in Miner and Elwell, pages 347-348.

## PROBLEM 4

1. On July 1 Frank Wilson and Chas. K. Peck began a provision business with the following assets and liabilities:

| | |
|---|---|
| **Assets** | |
| Cash | $1,350 |
| Merchandise | 4,250 |
| Office Furniture | 240 |
| Delivery Equipment | 200 |
| Accounts Receivable | 850 |
| **Liabilities** | |
| Notes Payable | 800 |
| Accounts Payable | 940 |

The partners had an equal interest in the business. The books had been kept by single entry. On October 1, the partners decided to change the books to double entry. The assets and the liabilities on that date were as follows:

| | |
|---|---|
| **Assets** | |
| Cash | $ 925.00 |
| Merchandise | 4,150.00 |
| Office Furniture | 240.00 |
| Delivery Equipment | 200.00 |
| Accounts Receivable: | |
| A. H. Kern | 150.00 |
| T. L. Fuller | 130.00 |
| E. R. Lakey | 165.00 |
| H. M. Hanna | 175.00 |
| Henry S. Arnold | 250.00 |
| **Liabilities** | |
| Notes Payable | $325.00 |
| Accounts Payable: | |
| H. J. Gould | 100.00 |
| J. L. Burgess | 140.00 |
| A. H. Francis | 200.00 |
| G. F. Hatfield | 85.00 |

(a) In the ledger, credit each partner with one-half the net assets on July 1.
(b) Make a statement showing the net profit on October 1.
(c) Credit each partner in the ledger with one-half the net profit, and show the present worth of each partner.
(d) Change to double entry by debiting in the ledger each asset item, and crediting each liability item, on October 1. Take a trial balance of the ledger.

2. David E. Easton has assets and liabilities on December 31, as follows:

| | | |
|---|---|---|
| Accounts Receivable | $1,972.10 | |
| Bills Receivable | 561.95 | |
| Merchandise Inventory | 927.50 | |
| Supplies | 85.00 | |
| Real Estate | 4,000.00 | |
| Cash | 1,856.22 | |
| Accounts Payable | | $2,050.25 |
| Notes Payable | | 500.00 |

On January 1 of the same year he began business with $6,500 in the bank, real estate worth $4,000, a note signed by Samuel Wright for $500. One of his notes in favor of Wilson and Co. for $300, was outstanding. On January 1 Easton's account was credited with $11,000. Find the profit for the period and make the necessary entry to change to double entry.

## PROBLEM 5

1. Tell which of the following are capital expenditures and which are revenue expenditures:

(a) Building a road.
(b) Repairing a road.
(c) Extending the road already built into a new district.
(d) Resurfacing the road:
  1. With materials of the same quality as were originally used.
  2. With materials of a better quality than were originally used.
(e) Purchasing a wooden filing cabinet.
(f) Repairing the filing cabinet.
(g) Purchasing an additional unit for the filing cabinet.
(h) Replacing the wooden filing cabinet with a steel cabinet.

2. State which of the following should be charged or credited to capital and which to revenue:

(a) Repairs to machinery and plant.
(b) Replacements of machinery and plant.
(c) Royalties on machines, owned and used by the company owning the patents, similar machines being leased under royalty to competitors.
(d) Brokerage on a piece of property purchased.
(e) Costs attending a mortgage given.
(f) Costs of patents, including lawyer's charges and government fee.
(g) Expenses of incorporating a company.
(h) Discount on bonds sold.
(i) Premium on bonds sold.

3. The trustee of an estate owning several buildings, built up from time to time a fund to care for repairs, which fund amounted to $6,000.00. The roof of one of the buildings was in such condition as to require renewal, which would be an expense of $4,500.00. It was decided to reshingle the building with material of more durable character, which would be an expense of $6,500.00.

Give the entries to record this transaction.

(Massachusetts, 1913)

## PROBLEM 6

Make the necessary journal entries for the following transactions:

1. An adding machine is purchased for $300. Depreciation is written off at the rate of 10% per annum. At the end of 5 years the machine is sold to B. I. Brown for $200.

2. Machinery account is debited for $10,000. The rate of depreciation is 10% per year. At the end of the sixth year the machine is sold for $5,000.

3. A hay dealer has a press which cost $1,800. He has reserved 5% for depreciation each year for 5 years. At the end of the fifth year he is allowed $900 for the old press on a trade for a new one costing $2,000. He pays $200 in cash; balance on account.

4. The Barnes Co. secures a new motor truck from the Austin Co. by paying $300 in cash and trading in their old truck for $500. The old truck stood on the books at $900 and a reserve for depreciation of $250 had accumulated against it.

5. A farmer owns a threshing machine which cost him $1,500. At the end of each of the five years he has owned it he has credited a **Reserve for Depreciation** account with $150. At the end of the fifth year he trades the machine to the Jones Co. for a new one costing $2,000. He is allowed $1,100

for the old machine and he pays $100 cash; balance on account. The farmer sets up 10% of the cost price of the new machine as an annual credit to **Reserve for Depreciation.** The new machine is not satisfactory and at the end of the second year the farmer sells it for $1,200 cash.

6. Frank Penner trades in an old typewriter which was in his inventory at $90, for a new one worth $125. The typewriter company allows $70 on the old machine, for which a reserve of $30 was on the books. Make the necessary journal entries on the basis that the difference in value between the two machines was paid in cash.

7. A manufacturing concern purchased for $500 cash, a used machine, the original price of which was $1,200. The machine was charged at $1,200 and a reserve for depreciation of machine for $700 set up. Each year thereafter depreciation at the rate of 10% per annum was taken on cost. Three years after the machine was purchased it was traded in for a new machine at $100. The price of the new machine was $1,500.

8. Name the advantages or disadvantages of the following two methods of recording depreciation on machinery:

(a) Crediting Machinery Account with ten per cent of the balance of the account each year and charging Profit and Loss.
(b) Crediting a reserve for Depreciation, Machinery Account with ten per cent of the account each year and charging Profit and Loss.

## PROBLEM 7

In each of the following transactions show the balances of all accounts affected:

1. A new machine is purchased for $1,600, to take the place of an old one exactly similar that cost $1,500 four years ago. A reserve has been accumulated for its depreciation, amounting to $1,200, but the old machine was traded in toward the new one, counting $150 as part payment.

2. A new machine is purchased for $1,200 to replace one exactly similar that cost $1,500. The reserve account shows a credit of $1,200. $150 is allowed for the old machine to apply on the purchase of the new one.

3. A machine costing $1,000, purchased for cash to replace an old machine costing the same sum, is lost through the capsizing of a boat on the lake. A balance of $750 remained in the reserve account after the value of the old machine had been closed into it.

## PROBLEM 8

1. Sales for August amount to $3,000. One per cent of sales is considered sufficient to reserve for bad debts. On August 1, the Reserve for Bad Debt account has a balance of $325. On August 15, John Smith, a customer owing $150, goes into bankruptcy and the trustee pays 10 cents on the dollar of the bankrupt's debts. On August 20, the account against Bray Bros., another customer, is collected, $75; fees for collection services, $10. Show journal entries for these transactions and the balance of the Reserve for Bad Debts account on August 31.

2. The loss from bad debts average one per cent of sales. December 1, the balance in the Reserve for Bad Debts account is $300. The sales for December amount to $7,000. During December, $10 is paid a firm of lawyers who were ordered to bring suit to collect an account. A debtor owing $50 assigned for benefit of creditors. The trustee paid out 50c on the dollar.

Five dollars was paid as special commission on collection of an old account. Show journal entries for these transactions, and the balance of the Reserve for Bad Debts account on December 31.

3. The following notations appear at the foot of a trial balance. Give the journal entries necessary to record them properly:

| | |
|---|---|
| (1) Accrued Interest on Notes Receivable | $ 30.00 |
| (2) Accrued Interest on Notes Payable | 50.00 |
| (3) Insurance for the Period | 75.00 |
| (4) Unpaid Wages | 40.00 |
| (5) Unpaid Gas and Electric Bill | 25.00 |
| (6) Depreciation on Building | 200.00 |
| (7) Estimated Bad Debts for Period | 60.00 |

4. The following trial balance is made up at the end of the first period's business from the accounts appearing on the ledger of John Boyle. Note that certain adjusting entries for depreciation, bad debts, and accruals have been made.

| | | | |
|---|---|---|---|
| Cash | | $ 1,950.00 | |
| Notes Receivable | | 2,000.00 | |
| Accounts Receivable | $4,000.00 | | |
| Less Reserve for Bad Debts | 400.00 | | |
| | | 3,600.00 | |
| Mdse. Inventory | | 10,000.00 | |
| Real Estate | | 1,000.00 | |
| Building | 3,000.00 | | |
| Less Reserve for Depreciation | 150.00 | | |
| | | 2,850.00 | |
| Delivery Equipment | 500.00 | | |
| Less Reserve for Depreciation | 100.00 | | |
| | | 400.00 | |
| Accrued Interest Receivable | | 10.00 | |
| Notes Payable | | | $ 6,000.00 |
| Accounts Payable | | | 1,000.00 |
| Accrued Interest Payable | | | 20.00 |
| Interest Earned | | | 40.00 |
| John Boyle Invest | | | 10,000.00 |
| Mdse. Sales | | | 19,570.00 |
| Mdse. Purchases | | 5,480.00 | |
| Operating Expenses | | 8,690.00 | |
| Bad Debts | | 400.00 | |
| Depreciation | | 200.00 | |
| Interest Paid | | 50.00 | |
| | | $36,630.00 | $36,630.00 |

What journal entries should be made to put the reserves and the accruals on the books?

## PROBLEM 9

| | |
|---|---|
| Cash | $ 244.00 |
| Notes Receivable | 217.00 |
| Accts. Receivable | 5,140.00 |
| Mdse. Inventory, Jan. 1 | 3,020.00 |
| Notes Payable | 1,158.00 |
| Accts. Payable | 2,692.00 |
| John Smith, Invest | 3,500.00 |
| Mdse. Sales | 16,406.00 |
| Disc. on Purchases | 329.00 |
| Mdse. Purchases | 7,588.00 |
| Rent Paid | 780.00 |
| Salesmen's Salaries | 4,839.00 |
| Advertising | 503.00 |

| | | |
|---|---|---|
| Fuel | 100.00 | |
| Taxes and Insurance | 139.00 | |
| Office Salaries | 445.00 | |
| Stationery and Office Supplies | 284.00 | |
| Postage | 40.00 | |
| Telephone and Telegraph | 108.00 | |
| Sundry Office Expense | 190.00 | |
| Interest Paid | 175.00 | |
| Disc. on Sales | 258.00 | |
| Collection and Exchange | 17.00 | |
| Notations: | | |
| Mdse. Inventory, Dec. 31 | | $2,810.00 |
| Estimated Loss by Bad Debts | | 150.00 |
| Accruals: | | |
| Expenses | 90.00 | |
| Interest on Notes Pay | 15.00 | |
| Interest on Notes Rec | 2.00 | |

Prepare:
- (a) Trial Balance.
- (b) Adjusting and closing journal entries.
- (c) Operating and financial statements.

Note: Where specific requests are not stated in the problem, the instructor may ask the student to prepare any or all the following: adjusting and closing journal entries, revenue accounts, operating statement and financial statement. The instructor also may request that several problems be solved on working sheets, so that the student may be thoroughly familiar with this useful method of obtaining statement data.

## PROBLEM 10

| | | |
|---|---|---|
| Cash, in Safe | $ 210.00 | |
| Cash, on Deposit | 1,600.00 | |
| Notes Receivable | 856.45 | |
| Accts. Receivable | 3,276.85 | |
| Mdse. Inventory | 2,146.75 | |
| Real Estate | 2,000.00 | |
| Building and Fixtures | 6,500.00 | |
| Office Furniture | 450.00 | |
| Auto Delivery | 475.25 | |
| Arnold Mfg. Co. Stock | 2,000.00 | |
| Notes Payable | | $ 1,243.45 |
| Accts. Payable | | 2,750.05 |
| R. H. Tillson, Invest | | 7,500.00 |
| R. H. Tillson, Drawing | 98.60 | |
| Jas. A. Dodge, Invest | | 7,500.00 |
| Jas. A. Dodge, Drawing | 75.00 | |
| Thos. A. Wilbur, Invest | | 3,750.00 |
| Thos. A. Wilbur, Drawing | 40.90 | |
| Mdse. Sales | | 6,375.00 |
| Interest Earned | | 14.50 |
| Mdse. Disc. on Purchases | | 30.90 |
| Mdse. Purchases | 8,947.55 | |
| Mdse. Disc. on Sales | 21.20 | |
| Sundry General Expense | 17.55 | |
| Salaries | 417.00 | |
| Interest Paid | 30.80 | |
| | $29,163.90 | $29,163.90 |

| | |
|---|---|
| Inventories: | |
| Merchandise | $ 7,850.00 |
| Depreciation: | |
| Building and Fixtures | 2% |
| Office Furniture | 5% |
| Auto Delivery | 10% |

Accrued Expenses:

| | | |
|---|---|---|
| Freight and Cartage on Purch | 21.00 | |
| Freight and Cartage Out | 32.00 | |
| Salaries | 100.00 | |
| Sundry General Expense | 4.50 | |

## PROBLEM 11

| | | |
|---|---|---|
| Cash | $ 2,680.00 | |
| Notes Receivable | 855.00 | |
| Accts. Receivable | 6,025.00 | |
| Reserve for Bad Debts | | $ 1,495.00 |
| Mdse. Inventory, Sept. 1 | 61,730.00 | |
| Store and Office Furniture | 5,295.00 | |
| Fuel | 300.00 | |
| Advertising | 1,060.00 | |
| Light | 255.00 | |
| Delivery Expense | 2,475.00 | |
| Repairs to Furniture | 210.00 | |
| Unexpired Insurance | 860.00 | |
| Notes Payable | | 10,000.00 |
| Accts. Payable | | 13,320.00 |
| J. Burd, Invest | | 20,000.00 |
| J. Burd, Drawing | | 155.00 |
| T. Bond, Invest | | 20,000.00 |
| T. Bond, Drawing | 85.00 | |
| Mdse. Sales | | 47,495.00 |
| Mdse. Disc. on Purchases | | 1,200.00 |
| Interest Earned | | 20.00 |
| Rent Earned (Sub-lease) | | 300.00 |
| Mdse. Purchases | 25,435.00 | |
| Rent Paid | 1,000.00 | |
| Salesmen's Salaries | 5,535.00 | |
| Telephone and Telegraph | 35.00 | |
| Interest Paid | 150.00 | |
| | $113,985.00 | $113,985.00 |

Notations:

| | |
|---|---|
| Mdse. Inventory, Sept. 30 | $ 51,480.00 |
| Insurance for the month | 50.00 |
| The loss from bad debts estimated at 1% of the sales. | |
| Depreciation on store and office furniture, 10% for the year. | |
| The month's share of taxes is estimated at $100. | |
| Fuel on Hand | 265.00 |

## PROBLEM 12

| | | |
|---|---|---|
| Cash in Safe | $ 245.95 | |
| Cash, on Deposit | 1,210.22 | |
| Notes Receivable | 800.00 | |
| Accts. Receivable | 532.75 | |
| Mdse. Inventory | 2,630.60 | |
| Real Estate | 2,000.00 | |
| Building and Fixtures | 4,532.00 | |
| Office Furniture | 132.21 | |
| Auto Delivery | 365.60 | |
| Midland R. R. Stock | 1,500.00 | |
| Central R. R. Stock | 1,500.00 | |
| Notes Payable | | $ 756.25 |
| Accts. Payable | | 962.25 |
| Jas. L. Merritt, Invest | | 8,000.00 |
| Jas. L. Merritt, Drawing | 55.00 | |
| Howard J. Paton, Invest | | 4,000.00 |

| | | |
|---|---|---|
| Howard J. Paton, Drawing | | 40.00 |
| Martin T. Leland, Invest | | 4,000.00 |
| Martin T. Leland, Drawing | 56.80 | |
| Mdse. Sales | | 5,190.00 |
| Interest Earned | | 25.55 |
| Mdse. Disc. on Purchases | | 35.65 |
| Mdse. Purchases | 7,007.24 | |
| Mdse. Disc. on Sales | 21.00 | |
| Sundry General Expense | 14.23 | |
| Salaries | 373.35 | |
| Office Supplies | 15.00 | |
| Interest Paid | 17.75 | |
| | $ 23,009.70 | $ 23,009.70 |

| | | |
|---|---|---|
| Inventories: | | |
| Merchandise | $ | 5,375.00 |
| Depreciation: | | |
| Building and Fixtures | 1% | |
| Office Furniture | 6% | |
| Auto Delivery | 5% | |
| Accrued Expenses: | | |
| Unpaid Telephone Bill | | 11.00 |
| Unpaid Salaries | | 110.00 |
| Office Supplies, Unpaid Bill | | 6.25 |

## PROBLEM 13

| | | |
|---|---|---|
| Petty Cash | $ 160.00 | |
| Cash on Deposit | 2,985.00 | |
| Notes Receivable | 3,000.00 | |
| Accounts Receivable | 8,075.00 | |
| Reserve for Bad Debts | | $ 1,800.00 |
| Merchandise Inventory | 40,730.00 | |
| Furniture and Furnishings | 8,585.00 | |
| Delivery Equipment | 1,800.00 | |
| Unexpired Insurance | 1,310.00 | |
| Fuel on Hand | 425.00 | |
| Notes Payable | | 11,860.00 |
| Accounts Payable | | 8,425.00 |
| C. A. Chadwick, Investment | | 30,000.00 |
| C. A. Chadwick, Drawing | 210.00 | |
| Merchandise Sales | | 91,755.00 |
| Mdse. Disc. on Purchases | | 1,770.00 |
| Commissions Earned | | 660.00 |
| Interest Earned | | 115.00 |
| Rent Earned | | 185.00 |
| Merchandise Purchases | 48,775.00 | |
| Store Rent Paid | 2,400.00 | |
| Salesmen's Salaries | 9,080.00 | |
| Advertising | 6,035.00 | |
| Delivery Expense | 3,820.00 | |
| Warehouse Rent Paid | 540.00 | |
| Office Salaries | 5,485.00 | |
| Sundry Office Expenses | 2,850.00 | |
| Interest Paid | 305.00 | |
| | $146,570.00 | $146,570.00 |

| | |
|---|---|
| Merchandise Inventory | 24,665.00 |
| Depreciation: | |
| Furniture and Furnishings, 10% per year. | |
| Delivery Equipment, 25% per year. | |
| Insurance for the Year | 500.00 |
| Fuel for the Year | 300.00 |
| Taxes are Estimated at | 500.00 |
| Accrued Salaries: | |
| Office | 120.00 |
| Salesmen | 435.00 |

## PROBLEM 14

| | | |
|---|---|---|
| Petty Cash | $ 150.00 | |
| Cash on Deposit | 4,000.00 | |
| Notes Receivable | 4,750.00 | |
| Accounts Receivable | 8,600.00 | |
| Merchandise Inventory | 12,500.00 | |
| Furniture and Furnishings | 800.00 | |
| Good Will | 6,500.00 | |
| Prepaid Insurance | 750.00 | |
| Notes Payable | | $ 1,500.00 |
| Accounts Payable | | 2,000.00 |
| Johnson, Investment | | 25,000.00 |
| Johnson, Drawing | 625.00 | |
| Wells, Investment | | 12,500.00 |
| Wells, Drawing | 325.00 | |
| Merchandise Sales | | 27,000.00 |
| Interest Earned | | 85.00 |
| Merchandise Purchases | 17,500.00 | |
| Rent Paid | 1,000.00 | |
| Heat and Light | 300.00 | |
| Salesmen's Salaries | 6,800.00 | |
| Freight on Sales | 425.00 | |
| Traveling Expenses | 400.00 | |
| Sundry Sales Expense | 100.00 | |
| Office Salaries | 1,305.00 | |
| Sundry Adm. Expenses | 1,000.00 | |
| Discounts on Sales | 150.00 | |
| Interest Paid | 105.00 | |
| | $68,085.00 | $68,085.00 |

Notations:

| | |
|---|---|
| Insurance of the Six Months | $ 200.00 |
| Estimated Taxes for the Period | 200.00 |
| Allow Johnson salary at the rate of $2,500 per annum and Wells salary at the rate of $1,500 per annum. | |
| Reserve 5% for depreciation of furniture and furnishings. | |
| Reserve 2% of sales for bad debts. | |
| Merchandise Inventory | 12,860.00 |
| Division of profit and loss: Johnson, ⅔; Wells, ⅓. | |

## PROBLEM 15

The following was the trial balance of Brown and Green, December 31, 19—:

| | | |
|---|---|---|
| Cash | $ 4,100.00 | |
| Notes Receivable | 6,250.00 | |
| Accounts Receivable | 8,600.00 | |
| Furniture | 750.00 | |
| Good Will | 5,000.00 | |
| Inventory, January 1, 19— | 13,000.00 | |
| Prepaid Insurance | 1,500.00 | |
| Notes Payable | | $ 2,500.00 |
| Accounts Payable | | 4,000.00 |
| Brown, Investment | | 25,000.00 |
| Green, Investment | | 12,500.00 |
| Brown, Drawing | 1,625.00 | |
| Green, Drawing | 825.00 | |
| Sales | | 54,000.00 |
| Returned Sales | 425.00 | |
| Fuel and Light | 2,350.00 | |
| Rent | 2,000.00 | |
| Purchases | 35,000.00 | |

| | | |
|---|---|---|
| Wages | 6,800.00 | |
| Traveling Expenses | 1,175.00 | |
| Postage | 1,300.00 | |
| Administrative Expense | 3,500.00 | |
| Sundry Sales Expense | 1,100.00 | |
| Discount on Sales | 300.00 | |
| Office Salaries | 2,400.00 | |
| | $98,000.00 | $98,000.00 |

Notations:

Expired insurance for the year, $500.
Taxes for the year, $400.
Allow Brown and Green salaries of $4,000 and $2,000 respectively.
Reserve 10% for depreciation of furniture.
Reserve 2% of Sales for bad debts.
Inventory December 31, 19—, $15,000.
Interest accrued on notes receivable, $75.
Interest accrued on notes payable, $50.
Freight on sales unpaid, $150.
Wages unpaid, $200.

## PROBLEM 16

You are given:

(1) The balance sheet of Owen & Norman as on Jan. 1, 19—.
(2) The cash transactions for the year ending Dec. 31, 19.—
(3) A summary of the remaining transactions for that year.

You are to prepare:

(a) Revenue accounts for the year 19—.
(b) Financial statement as of December 31, 19—.

**Balance Sheet, January 1, 19—.**

| | | | | |
|---|---|---|---|---|
| Cash | | $ 4,000.00 | Notes Payable | $ 4,000.00 |
| Notes Receivable | | 3,500.00 | Accounts Payable | 3,000.00 |
| Accounts Receivable | $10,000.00 | | Owen, Investment | 25,000.00 |
| Less Res. for Bad Debts | 500.00 | | Norman, Investment | 25,000.00 |
| | | 9,500.00 | | |
| Mdse. Inventory | | 15,000.00 | | |
| Furniture and Furnishings | | 5,000.00 | | |
| Real Estate | | 5,000.00 | | |
| Buildings and Fixtures | | 15,000.00 | | |
| | | $57,000.00 | | $57,000.00 |

(2) **Cash Transactions**

| | | | |
|---|---|---|---|
| Cash, January 1, 19— | $ 4,000.00 | Office Salaries | $ 3,000.00 |
| Received from customers | 67,000.00 | Wages | 3,700.00 |
| Notes Receivable | 22,500.00 | Notes Payable | 38,300.00 |
| | | Accounts Payable | 36,750.00 |
| | | Sundry Office Expenses | 2,000.00 |
| | | Balance, December 31, 19— | 10,250.00 |
| | $94,000.00 | | $94,000.00 |

(3) **Summary of Remaining Transactions**

| | |
|---|---|
| Purchases | $75,000.00 |
| Discounts on Purchases | 750.00 |
| Sales | 95,000.00 |
| Discount on Sales | 500.00 |
| Notes Receivable Received from Customers During the Year | 23,250.00 |

| | |
|---|---|
| Notes Payable Given to Creditors During the Year | 38,750.00 |
| Depreciation on Furniture and Furnishings | 5% |
| Depreciation on Buildings and Fixtures | 5% |
| Reserve 1% of Sales for Bad Debts. | |
| Inventory, December 31, 19— | 17,500.00 |

Note: In solving this problem, first build up skeleton ledger accounts as necessary, and take a trial balance to insure the accuracy of the work.

## PROBLEM 17

The following was the trial balance on June 30, 1919, of Johnson & Wells, carrying on a jobbing business in partnership, sharing profits or losses in proportion of two-thirds and one-third, respectively:

| | | |
|---|---|---|
| Good Will | $ 6,500.00 | |
| Fuel and Lighting | 175.00 | |
| Inventory, January 1, 1919 | 12,500.00 | |
| Sales | | $27,000.00 |
| Freight on Sales | 425.00 | |
| Notes Payable | | 1,500.00 |
| Notes Receivable | 4,750.00 | |
| Office Salaries | 2,350.00 | |
| Johnson, Investment | | 25,000.00 |
| Wells, Investment | | 12,500.00 |
| Johnson, Drawing | 625.00 | |
| Wells, Drawing | 325.00 | |
| Rent | 1,000.00 | |
| Purchases | 17,500.00 | |
| Wages | 6,800.00 | |
| Accounts Receivable | 8,600.00 | |
| Accounts Payable | | 2,000.00 |
| Discounts on Sales | 150.00 | |
| Cash on Deposit | 4,000.00 | |
| Cash on Hand | 100.00 | |
| Postage | 250.00 | |
| Furniture and Furnishings | 750.00 | |
| Prepaid Insurance | 500.00 | |
| Traveling Expenses | 400.00 | |
| Sundry Sales Expense | 100.00 | |
| Sundry Administration Expense | 200.00 | |
| | $68,000.00 | $68,000.00 |

Notations:

Insurance for the six months, $200.
Estimated taxes for the period, $200.
Allow Johnson salary at the rate of $2,500 per annum and Wells salary at the rate of $1,500 per annum.
Reserve 5% for depreciation of Furniture and Furnishings.
Reserve 2% of Sales for bad debts.
Inventory, June 30, 1919, $12,860.

## PROBLEM 18

The following trial balance is taken from the ledger of Curtis, Marshall and Hall, who share profits and losses equally:

**Trial Balance, January 1, 1919**

| | |
|---|---|
| Curtis, Investment Account | $ 57,260.00 |
| Marshall, Investment Account | 46,000.00 |
| Hall, Investment Account | 36,225.00 |
| Accounts Payable | 47,820.00 |

| | | |
|---|---|---|
| Purchases | $125,010.00 | |
| Investments | 3,500.00 | |
| Dividends on Investments | | 300.00 |
| Cash on Hand | 1,185.00 | |
| Wages | 19,495.00 | |
| Notes Payable | | 15,550.00 |
| Salaries | 4,565.00 | |
| Office Expenses | 1,445.00 | |
| Repairs | 1,575.00 | |
| Depreciation Reserve Account | | 11,250.00 |
| Interest and Discounts | 4,945.00 | |
| Sales | | 163,430.00 |
| Marshall, Drawing Account | 3,000.00 | |
| Curtis, Drawing Account | 3,480.00 | |
| Accounts Receivable | 58,100.00 | |
| Rent | 2,750.00 | |
| Lawyers' Fees | 225.00 | |
| Land | 8,650.00 | |
| Buildings | 95,000.00 | |
| Machinery | 40,005.00 | |
| Bills Receivable | 4,905.00 | |
| | $377,835.00 | $377,835.00 |

The Inventory on hand at the close of the period was $26,470.

## PROBLEM 19

Draw up from the following Trial Balance the revenue accounts and the financial statement for the year ending Sept. 30, 1919.

### James Taylor and Co.

#### Trial Balance, September 30, 1919

| | | |
|---|---|---|
| J. Taylor, Capital | | $180,260.00 |
| T. Jones, Loan Account | | 17,965.00 |
| Inventory, September 30, 1918 | $161,730.00 | |
| Salaries | 6,970.00 | |
| Wages | 55,295.00 | |
| Purchases | 103,435.00 | |
| Selling Expenses | 8,950.00 | |
| Advertising | 6,035.00 | |
| Interest Paid | 1,645.00 | |
| Bad Debts | 1,190.00 | |
| Rent Paid | 3,780.00 | |
| Taxes | 575.00 | |
| Coal | 425.00 | |
| Unexpired Insurance, Sept 30, 1918 | 1,310.00 | |
| Sales | | 167,495.00 |
| Return Sales | 6,110.00 | |
| Notes Receivable | 855.00 | |
| Notes Payable | | 14,020.00 |
| Commissions Received | | 660.00 |
| Furniture and Furnishings | 5,295.00 | |
| Rent Received | | 150.00 |
| Repairs to Buildings | 15.00 | |
| Legal Expense | 135.00 | |
| Petty Cash in Hand | 15.00 | |
| Bank Balance—Overdraft | | 425.00 |
| Bad Debt, Reserve for | | 1,495.00 |
| Accounts Receivable | 52,025.00 | |
| Accounts Payable | | 33,320.00 |
| | $415,790.00 | $415,790.00 |

On September 30, 1919, the merchandise inventory amounted to $224,200 and the Unexpired Insurance was $900.

## PROBLEM 20

### Trial Balance, June 30, 1919

| | | |
|---|---|---|
| Billings, Investment | | $181,270.00 |
| Inventory, July 1, 1918 | $162,740.00 | |
| Salaries | 6,970.00 | |
| Wages | 55,295.00 | |
| Purchases | 103,435.00 | |
| Selling Expenses | 8,950.00 | |
| Advertising | 6,035.00 | |
| Interest Paid | 1,645.00 | |
| Bad Debts | 1,190.00 | |
| Office Rent | 3,235.00 | |
| Taxes | 575.00 | |
| Coal | 425.00 | |
| Insurance | 1,310.00 | |
| Sales | | 167,495.00 |
| Return Sales | 6,100.00 | |
| Notes Receivable | 855.00 | |
| Notes Payable | | 31,985.00 |
| Warehouse Rent Paid | 545.00 | |
| Commissions Earned | | 660.00 |
| Furniture and Furnishings | 5,295.00 | |
| Rent Received | | 150.00 |
| Repairs to Furniture and Furnishings | 15.00 | |
| Petty Cash on Hand | 160.00 | |
| Cash | 2,985.00 | |
| Bad Debts Reserve | | 1,920.00 |
| Accounts Receivable | 49,040.00 | |
| Accounts Payable | | 33,320.00 |
| | $416,800.00 | $416.800.00 |

The Merchandise Inventory on June 30, 1919, amounted to $223,210.

## PROBLEM 21

### (Adapted from the English Intermediate Examination, June, 1900)

A certified public accountant gave one of his staff a trial balance and the inventory as on June 30, 1918, instructing him to prepare therefrom a balance sheet, after crediting partners with 5% on their capital. The following incorrect statements were the result:

From the information given prepare a trial balance as of June 30, an operating statement and a financial statement.

### Profit and Loss Account for Half Year Ending June 30, 1918

| | | | |
|---|---|---|---|
| Purchases | $149,240.00 | Sales | $186,635.00 |
| Inventory, June 30, 1918 | 18,370.00 | Interest on Partner's Capital | 2,500.00 |
| Partner's Drawing | 6,390.00 | Inv. January 1, 1918 | 16,770.00 |
| Rent | 1,305.00 | Commission Received | 9,330.00 |
| Salaries | 3,120.00 | | |
| Wages | 21,860.00 | | |
| General Expenses | 5,825.00 | | |
| Interest Paid | 1,215.00 | | |
| Balance, Net Pr. to Balance Sheet | 7,910.00 | | |
| | $215,235.00 | | $215,235.00 |

### Balance Sheet

| | | | |
|---|---|---|---|
| Accounts Receivable | $ 87,195.00 | Accounts Payable | $ 65,025.00 |
| Cash on Deposit | 17,405.00 | Notes Receivable | 43,380.00 |
| Cash on Hand | 315.00 | Partner's Capital, January 1, 1918 | 50,000.00 |
| Loan from Bank | 25,000.00 | Net Profit from Profit and Loss Account | 7,910.00 |
| Inv. June 30, 1918 | 18,370.00 | | |
| Notes Payable | 18,030.00 | | |
| | $166,315.00 | | $166,315.00 |

## PROBLEM 22

(Adapted from English Examination, December, 1904.)

| | |
|---|---|
| Inventory, January 1, 1917 | $ 20,000.00 |
| Land | 25,000.00 |
| Buildings | 150,000,00 |
| Investment, Scott | 105,000.00 |
| Investment, Harris | 78,750.00 |
| Reserve for Depreciation, Buildings | 25,000.00 |
| Cash on Deposit | 8,250.00 |
| Cash on Hand | 750.00 |
| Accounts Payable | 113,500.00 |
| General Administration Expenses | 50,000.00 |
| Notes Payable | 7,500.00 |
| Purchases | 180,000.00 |
| Machinery and Equipment | 75,000.00 |
| Insurance Paid to July 1, 1918 | 1,000.00 |
| Rent Paid to July 1, 1918 | 750.00 |
| Reserve for Bad Debts | 5,000.00 |
| Repairs to Property | 15,000.00 |
| Improvements and Additions to Property, producing thereby 5% increase of rents | 10,000.00 |
| Rents Received | 12,750.00 |
| Reserve for Taxes | 6,000.00 |
| Bad Debts | 5,500.00 |
| Sales | 386,500.00 |
| Salaries | 10,000.00 |
| Depreciation of Equipment and Machinery | 12,500.00 |
| Investments | 25,000.00 |
| Interest Paid | 8,750.00 |
| Accounts Receivable | 130,000.00 |
| Drawings, Harris | 5,000.00 |
| Drawings, Scott | 7,500.00 |

The stock on December 31, 1917, was valued at $25,000. Scott receives three-fifths and Harris two-fifths share of the profits.

## PROBLEM 23

Jenkins and Hart begin business as partners on January 1, 1917. The following is the trial balance on June 30, 1917:

| | | |
|---|---|---|
| Jenkins, Investment Account | | $ 30,000.00 |
| Hart, Investment Account | | 20,000.00 |
| Sales | | 112,290.00 |
| Accounts Payable | | 26,400.00 |
| Accounts Receivable | $ 44,300.00 | |
| Cash | 50.00 | |
| Purchases | 114,920.00 | |
| Wages and Salaries | 11,630.00 | |
| Rent | 1,975.00 | |
| Furniture and Fixtures | 4,700.00 | |
| Jenkins, Drawing Account | 2,250.00 | |
| Hart, Drawing Account | 1,500.00 | |
| General Expenses | 6,360.00 | |
| Discount on Sales | 1,005.00 | |
| | $188,690.00 | $188,690.00 |

The Inventory on June 30, 1917, was $30,960.00.

Prepare as on June 30, 1917, the operating statement, and balance sheet providing depreciation on Furniture and Fixtures at the rate of 10% per annum, and reserving 1% on the amount of sales for bad debts.

## PROBLEM 24

(Adapted from English Intermediate Examination, May, 1908)

B. M. Bartlett and J. C. Blake carry on business in partnership, sharing profits and losses in proportion to capital invested.

The following is the trial balance of their ledger on December 31, 1917:

| | | |
|---|---|---|
| B. M. Bartlett, Investment Jan. 1, 1917 | | $ 60,000.00 |
| J. C. Blake, Investment Jan. 1, 1917 | | 40,000.00 |
| Sales | | 250,000.00 |
| Purchases | $100,000.00 | |
| Stock, Jan. 1, 1917 | 44,500.00 | |
| Plant | 33,000.00 | |
| Fixtures | 2,500.00 | |
| Freight (inward) | 2,500.00 | |
| Salaries and Wages | 75,000.00 | |
| Commissions Paid | 2,500.00 | |
| Office and Traveling Expense | 16,250.00 | |
| Interest Paid | 250.00 | |
| Rent and Taxes | 3,000.00 | |
| Bad Debts | 1,000.00 | |
| Notes Receivable | 5,000.00 | |
| Accounts Receivable | 40,000.00 | |
| Accounts Payable | | 7,500.00 |
| Accrued Wages | | 1,500.00 |
| Discount on Sales | 6,250.00 | |
| Discount on Purchases | | 2,500.00 |
| Bank Balance | 22,500.00 | |
| Cash on Hand | 250.00 | |
| B. M. Bartlett, Drawing | 3,000.00 | |
| J. C. Blake, Drawing | 2,000.00 | |
| | $361,500.00 | $361,500.00 |

The stock on hand at the end of the year amounted to $46,500.

Adjustments:

Allow each partner $2,500 for salary, and 5% interest on capital.

Depreciation on plant and fixtures is 5%; reserve for bad debts 3½% on Accounts Receivable.

## PROBLEM 25

Cramer, Fisher, and Smith entered into a partnership agreement on January 1, 1921 for the purpose of operating a dry goods store. At December 31, 1921, the Trial Balance of the partnership, before making any adjustments, was as follows:

| | | |
|---|---|---|
| Cash in Bank | $ 4,000.00 | |
| Cash on Hand | 2,000.00 | |
| Merchandise Inventory | 120,000.00 | |
| Accounts Receivable—Customers | 80,000.00 | |
| Accounts Receivable—Employees | 30,000.00 | |
| Furniture and Fixtures | 100,000.00 | |
| Notes Payable | | $ 50,000.00 |
| Accounts Payable | | 25,000.00 |
| Cramer, Investment | | 80,000.00 |
| Fisher, Investment | | 60,000.00 |
| Smith, Investment | | 40,000.00 |
| Sales | | 594,000.00 |
| Purchases | 320,000.00 | |
| Salaries | 110,000.00 | |
| Store Expense | 80,000.00 | |
| Office Expense | 1,000.00 | |
| Interest Paid | 2,000.00 | |
| | $849,000.00 | $849,000.00 |

Notations:

Interest at 5% is to be allowed on the partners' Capital Accounts.

Mr. Cramer owns the store and will be credited at the end of each month with $300 for rent.

Of the interest paid on Notes Payable, $500 applies to period subsequent to December 31, 1921.

Accrued Salaries $1,500.

Reserve ½ of 1% of Sales for Bad Debts.

Allow 10% depreciation on Furniture and Furnishings.

Merchandise Inventory December 31, 1921, $175,000.00.

Prepare an operating and financial statement as of December 31, 1921; also prepare an account for each partner.

## PROBLEM 26

**(Adapted from the English Intermediate Examination, December, 1898)**

Arrange the following figures in the form of a Trial Balance as on December 31, 1918:

Capital, $25,000; Accounts Receivable, $7,500; Accounts Payable $5,000; Notes Receivable, $1,250; Notes Payable, $1,250; Furniture, $500; Sundry Stocks and Shares, $1,000; Sundry Expenses, $2,500; Real Estate, $1,250; Depreciation, $250; Purchases, $50,000; Sales, $55,000; Discounts on Goods Purchased, $2,500; Discounts Allowed on Sales, $1,000; Cash on Hand, $16,000; Inventory January 1, 1918, $7,500.

The inventory on December 31, 1918, was $8,750.

## PROBLEM 27

From the following information prepare:

1. A trial balance,
2. Closing journal entries,
3. Operating and financial statements as of December 31.

Notes Receivable, $4,000; Accounts Receivable, $6,540; Notes Payable, $2,480.89; Accounts Payable, $3,600; Real Estate, $6,750; Plant and Machinery, $7,500; General Expense, $1,500; Office Salary, $600.75; Wages, $183.45; Freight and Cartage Out, $200; Cash on Hand, $175; Cash in Bank, $8,679.11; Merchandise on Hand at the Beginning of the Year, $9,500.60; Purchases, $27,000; Sales, $42,805.42; Return Sales, $168; Interest Paid, $769.40; L. S. Carter, Investment, $15,725; L. S. Carter, Drawing, $600; F. M. Gayer, Investment, $17,725; F. M. Gayer, Drawing, Debit, $760; Furniture, $600; Rent Unexpired, $250; Insurance Unexpired, $160; Good Will, $7,000; Inventory on Hand at the End of the Period, $9,480; Rent for the Year, $1,200; Insurance Expired, $180; Interest Accrued on Notes Receivable, $28; Wages Accrued, $116.

Reserve 5% for depreciation on plant and machinery, 10% for depreciation on furniture. Reserve 1% of the sales for bad debts.

## PROBLEM 28

The following trial balance is taken from the ledger of Scott and Harrison. Prepare adjusting and closing entries, and operating and financial statements.

**Trial Balance December 31, 1920**

| | | |
|---|---|---|
| Cash | $ 1,185.00 | |
| Notes Receivable | 20,000.00 | |
| Accounts Receivable | 58,100.00 | |
| Reserve for Bad Debts | | $ 3,515.00 |

| | | |
|---|---|---|
| Inventory | 28,955.00 | |
| Real Estate | 8,650.00 | |
| Buildings and Fixtures | 24,000.00 | |
| Reserve for Depreciation on Buildings and Fixtures | | 1,585.00 |
| Investments | 3,500.00 | |
| Good Will | 20,000.00 | |
| Fuel on Hand | 200.00 | |
| Stationery and Office Supplies, Unused | 400.00 | |
| Insurance, Unexpired | 3,015.00 | |
| Notes Payable | | 15,000.00 |
| Accounts Payable | | 47,820.00 |
| Notes Receivable Discounted | | 640.00 |
| Scott, Investment | | 22,500.00 |
| Harrison, Investment | | 22,500.00 |
| Sales | | 67,375.00 |
| Dividends on Investments | | 300.00 |
| Discount on Purchases | | 850.00 |
| Interest Earned | | 25.00 |
| Advertising | 6,035.00 | |
| Delivery Charge | 600.00 | |
| Salesmen's Salaries | 5,270.00 | |
| Office Salaries | 2,000.00 | |
| General Office Expense | 200.00 | |
| | $182,110.00 | $182,110.00 |

Notations:

| | |
|---|---|
| Inventories: | |
| Prepaid Insurance | $ 2,500.00 |
| Office Supplies | 250.00 |
| Interest Accrued on Notes Receivable | 300.00 |
| Interest Accrued on Notes Payable | 115.00 |
| Fuel Used During the Period | 175.00 |
| Taxes Estimated for the Year | 240.00 |
| Accrued Salaries distributed as follows: | |
| Salesmen | 425.00 |
| Office | 160.00 |
| Merchandise Inventory January 1, 1920 | 50,000.00 |
| Purchases During the Period | 14,689.00 |
| Sales | 103,109.00 |
| Cost of Sales | 35,734.00 |

## PROBLEM 29

The following are the totals of some of the columns of a Cash Journal. With the necessary additional information given, prepare a trial balance.

| | |
|---|---|
| National Bank: | |
| Deposits | $ 18,000.00 |
| Checks | 15,480.25 |
| Cash: | |
| Receipts | 55,700.50 |
| Payments | 55,325.18 |
| General Debits: | |
| Furniture and Furnishings | 2,400.00 |
| Unexpired Insurance | 250.00 |
| Good Will | 5,000.00 |
| Notes Receivable | 525.50 |
| Fuel on Hand | 315.00 |
| Real Estate | 4,000.00 |
| Buildings | 10,000.00 |
| Notes Payable | 4,000.00 |
| General Credits: | |
| Y Investment | 39,940.00 |
| Accrued Salaries | 200.00 |
| Notes Payable | 6,250.00 |
| Reserve for Bad Debts | 128.00 |

| | |
|---|---|
| Accounts Receivable: | |
| Debit | 4,000.00 |
| Credit | 1,260.00 |
| Accounts Payable: | |
| Debit | 4,280.00 |
| Credit | 10,924.00 |
| Discount on Purchases | 170.00 |
| Salesmen's Salaries | 425.50 |
| Office Salaries | 80.00 |
| Sundry General | 35.25 |
| Taxes | 90.00 |
| Postage | 15.50 |
| Advertising | 125.00 |

| | |
|---|---|
| The Opening Inventory was | $ 21,040.00 |
| Purchases for the Period | 4,000.00 |
| Freight on Above | 100.68 |
| Insurance Carried on the Stock | 50.00 |
| Buying Salaries for the Period | 168.50 |
| Cost of Sales | 3,246.50 |
| Credit Sales were | 1,460.50 |
| Cash Sales were | 3,463.50 |

## PROBLEM 30

The following are the totals of the columns of a cash journal. The General Ledger terms are given in detail. From these totals

(a) Prepare trial balance, arranging the accounts in the general order.

(b) Prepare that section of the operating statement which gives the gross profit on merchandise sold.

| | |
|---|---|
| The National Bank: | |
| Deposits | $ 14,800.00 |
| Checks | 11,130.11 |
| Cash: | |
| Receipts | 45,699.75 |
| Payments | 45,221.15 |
| General Debits: | |
| Unexpired Rent | 300.00 |
| Unexpired Insurance | 200.00 |
| Good Will | 3,000.00 |
| Furniture and Furnishings | 100.00 |
| Notes Receivable | 1,500.00 |
| General Credits: | |
| X Investment | 35,000.00 |
| Accrued Salaries | 200.00 |
| Notes Payable | 5,000.00 |
| Reserve for Bad Debts | 500.00 |
| Accounts Receivable: | |
| Debit | 5,000.00 |
| Credit | 125.00 |
| Accounts Payable: | |
| Debit | 1,000.00 |
| Credit | 13,000.00 |
| Discount on Purchases | 193.49 |
| Inventory: | |
| Debit | 40,985.00 |
| (Opening inventory $35,000.00.) | |
| Credit | 1,600.00 |
| Salesmen's Salaries | 300.00 |
| Advertising | 75.00 |
| Sundry Sales Expense | 25.00 |
| Office Salaries | 75.00 |
| Postage | 10.00 |
| Sundry General Expense | 55.00 |
| Sales: | |
| Debit | 1,600.00 |
| Credit | 2,755.00 |

## PROBLEM 31

Prepare trial balance and operating and financial statements as of January 31, 1921.

On January 1, 1921, the financial statement of X, a retailer, was as follows:

| | | |
|---|---|---|
| Furniture and Fixtures | $2,000.00 | |
| Cash | 500.00 | |
| Notes Receivable | 3,000.00 | |
| Accounts Receivable | 5,000.00 | |
| Merchandise on Hand | 4,000.00 | |
| | | $14,500.00 |
| Notes Payable | $5,000.00 | |
| Accounts Payable | 3,000.00 | |
| X Investment | 6,000.00 | |
| X Drawing | 500.00 | |
| | | $14,500.00 |

During the month, the bookkeeper made all entries in the cash book and in the sales book, but made no journal entries, and did not post to his ledger.

In addition to the entries appearing in the cash book and on the sales book, the following transactions took place during January: Merchandise purchases on credit amounting to $6,000, and notes payable amounting to $3,000 renewed.

The Credit Sales Journal had two columns—one for the billed amounts, and the other for the cost of goods sold. The billed amount was $8,000 and the cost $5,000.

The following statement gives a summary of Cash Receipts and Disbursements for January.

**Cash Received**

| | | |
|---|---|---|
| Collected from Customers (Discount of $125 allowed) | $4,000.00 | |
| Collected on Notes Receivable | 2,000.00 | |
| Collected on Merchandise Sold and Not Entered on Sales Book (cost $500) | 600.00 | |
| | | $6,600.00 |

**Cash Payments**

| | | |
|---|---|---|
| Interest on Notes Payable | $ 45.00 | |
| Salaries | 500.00 | |
| Rent | 200.00 | |
| Sundry Expenses | 300.00 | |
| Accounts Payable | 5,000.00 | |
| | | $6,045.00 |

## PROBLEM 32

### (Wisconsin, 1916)

(a) State three methods of figuring percentages in comparing income and expense. Which method is best and why?

(b) Explain the use which should be made of these percentages in determining the administrative policies of a business.

(c) The three summarized operating statements following are those of A, B, and C, respectively, each of whom conducts his business as a sole proprietorship. They decide to form a corporation and you are asked for advice as to which of the several phases of the corporation's business should

be assigned to A, B, and C. Write a concise report, stating your views and giving reasons therefor:

| | A | B | C |
|---|---|---|---|
| Sales (net) | $200,000.00 | $100,000.00 | $135,500.00 |
| Cost of Production | 130,000.00 | 68,000.00 | 88,000.00 |
| Gross Trading Profit | 70,000.00 | 32,000.00 | 47,500.00 |
| Trading Expense | 26,300.00 | 13,150.00 | 20,325.00 |
| Net Trading Profit | 43,700.00 | 18,850.00 | 27,175.00 |
| Administrative Expense | 17,865.00 | 10,000.00 | 12,000.00 |
| Net Operating Profit | 25,835.00 | 8,850.00 | 15,175.00 |
| Add Financial Income | 6,800.00 | 6,500.00 | 3,000.00 |
| | 32,635.00 | 15,350.00 | 18,175.00 |
| Deduct Financial Expense | 2,400.00 | 1,000.00 | 4,175.00 |
| Net Profit | $ 30,235.00 | $ 14,350.00 | $ 14,000.00 |

## PROBLEM 33

In order to make up the statements on December 31, 1920, the central office of a manufacturing company required from all the branch offices a statement of the inventory at cost as of that date.

The following report was received from one branch office:

Stock on hand January 4, 1921—$9,000.00.

Goods received from December 31, 1920—January 4, 1921—$1,000.00.

Sales for the same period $2,000.

**Note:** All amounts are figured on selling price which includes 20% profit.

Prepare a statement of the inventory at cost on December 31, 1920.

## PROBLEM 34

| | | |
|---|---|---|
| Cash | $ 1,000.00 | |
| Accounts Receivable | 1,300.00 | |
| Inventories Jan. 1, '19, Men's Furnishings | 8,000.00 | |
| General Merchandise | 7,750.00 | |
| Real Estate | 3,750.00 | |
| Buildings | 10,000.00 | |
| Furniture and Furnishings | 2,000.00 | |
| Unexpired Insurance | 450.00 | |
| Notes Payable | | $ 1,500.00 |
| Accounts Payable | | 3,115.00 |
| Reed, Investment | | 12,500.00 |
| Lee, Investment | | 12,500.00 |
| Men's Furnishing Sales | | 27,500.00 |
| General Merchandise Sales | | 17,150.00 |
| Merchandise Discount on Purchases | | 500.00 |
| Men's Furnishing Purchases | 22,000.00 | |
| General Merchandise Purchases | 12,250.00 | |
| Heat | 175.00 | |
| Light | 150.00 | |
| Advertising | 500.00 | |
| Janitor Service | 300.00 | |
| Salesmen's Salaries | 3,300.00 | |
| Sundry Sales Expense | 50.00 | |
| Repairs to Building and Fixtures | 250.00 | |
| Salaries, Office | 1,200.00 | |
| Sundry Office Expense | 165.00 | |
| Interest Paid | 150.00 | |
| Merchandise Discount on Sales | 25.00 | |
| | $74,765.00 | $74,765.00 |

Notations:
Reserve 2½% for depreciation on building and fixtures.
Reserve 5% for depreciation on furniture and furnishings.
The Taxes for the year estimated at $250.00.
Insurance for the year, $300.00.
Inventories, December 31, 1919.
Men's furnishings, $9,000.00.
General merchandise, $7,000.00.

## PROBLEM 35

The trial balance of the firm of Holman and Birch for the year ending December 31, 1919, is as follows:

| | | |
|---|---|---|
| Cash | $ 4,000.00 | |
| Accounts Receivable | 5,200.00 | |
| Inventories Jan. 1, 1919: | | |
| Groceries | 32,000.00 | |
| Crockery | 31,000.00 | |
| Real Estate | 15,000.00 | |
| Building and Fixtures | 40,000.00 | |
| Furniture and Furnishings | 8,000.00 | |
| Unexpired Insurance | 1,800.00 | |
| Notes Payable | | $ 6,000.00 |
| Accounts Payable | | 12,460.00 |
| Holman, Investment | | 50,000.00 |
| Birch, Investment | | 50,000.00 |
| Grocery Sales | | 110,000.00 |
| Crockery Sales | | 68,600.00 |
| Merchandise Discount on Purchases | | 2,000.00 |
| Grocery Purchases | 88,000.00 | |
| Crockery Purchases | 49,000.00 | |
| Heat | 700.00 | |
| Electricity | 600.00 | |
| Advertising | 2,000.00 | |
| Janitor Service | 1,200.00 | |
| Salesmen's Salaries | 13,600.00 | |
| Sundry Sales Expense | 200.00 | |
| Repairs to Building and Fixtures | 1,000.00 | |
| Salaries, Office | 4,800.00 | |
| Sundry Office Expense | 660.00 | |
| Interest Paid | 600.00 | |
| Merchandise Discount on Sales | 100.00 | |
| | $299,060.00 | $299,060.00 |

Notations:
Reserve 2% for depreciation on buildings and fixtures.
Reserve 5% for depreciation on furniture and furnishings.
The taxes for the year are estimated at $500.
Inventories December 31, 1919:

| | |
|---|---|
| Groceries | $ 18,000.00 |
| Crockery | 14,000.00 |

## PROBLEM 36

| | |
|---|---|
| Cash | $ 500.00 |
| Accounts Receivable | 2,000.00 |
| Inventories January 1: | |
| Groceries | 12,000.00 |
| Meats | 10,000.00 |
| Building and Fixtures | 13,000.00 |
| Furniture and Furnishings | 2,000.00 |

| | | |
|---|---|---|
| Real Estate | 3,000.00 | |
| Unexpired Insurance | 500.00 | |
| Notes Payable | | $ 2,150.00 |
| Accounts Payable | | 4,000.00 |
| James Bickel, Investment | | 15,000.00 |
| John Salmon, Investment | | 12,000.00 |
| Grocery Sales | | 30,000.00 |
| Meat Sales | | 20,000.00 |
| Merchandise Discount on Purchases | | 400.00 |
| Grocery Purchases | 25,000.00 | |
| Meat | 14,000.00 | |
| Heat and Light | 125.00 | |
| Advertising | 175.00 | |
| Salesmen's Salaries | 300.00 | |
| Sundry Sales Expense | 50.00 | |
| Repairs to Building and Fixtures | 25.00 | |
| Office Salaries | 600.00 | |
| Sundry Office Expense | 125.00 | |
| Interest Paid | 50.00 | |
| Merchandise Discount on Sales | 100.00 | |
| | $83,550.00 | $83,550.00 |

Notations:
- Reserve 3% for depreciation of Buildings and Fixtures.
- Reserve 5% for depreciation of Furniture and Furnishings.
- Taxes for period, $200.00
- Insurance for period, $250.00.
- Interest accrued on notes payable, $50.00.
- Wages unpaid, $60.00.

Inventories:
- Groceries, $12,000.00.
- Meats, $8,000.00.

## PROBLEM 37

Kay and Keeley operate a store of three departments. The departmental accounts for the year 1921 appear as follows:

| | A | B | C |
|---|---|---|---|
| Inventory, Jan. 1 | $ 60,000.00 | $ 20,000.00 | $ 30,000.00 |
| Inventory, Dec. 31 | 56,000.00 | 22,000.00 | 35,000.00 |
| Purchases | 225,000.00 | 80,000.00 | 120,000.00 |
| Purchases, Returns and Allowances | 1,200.00 | 1,500.00 | 2,000.00 |
| Sales (Gross Profit about 35%) | 300,000.00 | 110,000.00 | 200,000.00 |
| Sales Returns and Allowances | 700.00 | 400.000 | 300.00 |

The direct departmental expense accounts kept appear as follows:

| | A | B | C |
|---|---|---|---|
| Wages | $ 12,000.00 | $ 4,400.00 | $ 8,000.00 |
| Advertising | 6,000.00 | 2,100.00 | 4,000.00 |
| Supplies | 4,500.00 | 1,650.00 | 3,000.00 |
| Buying | 9,000.00 | 4,000.00 | 7,000.00 |
| Depreciation | 300.00 | 200.00 | 300.00 |

Occupancy charges, including heat, light, power, housekeeping, elevator, etc., total $36,600. Distribute it between the departments on the average cost of such charges, 6% on sales.

Prepare departmental trading accounts showing the gross and the net trading profit, and also an operating statement, trading section.

## PROBLEM 38

The balances below are taken from the trial balance of a store having three departments. Show the closing journal entries:

| | Dr. | Cr. |
|---|---|---|
| Purchases Department A | $3,000.00 | |
| Purchases Department B | 2,000.00 | |
| Purchases Department C | 500.00 | |

| | | |
|---|---|---|
| Sales Department A | | $4,000.00 |
| Sales Department B | | 3,500.00 |
| Sales Department C | | 900.00 |
| Salesmen's Salaries | 700.00 | |
| Selling Expenses | 150.00 | |
| Rent of Store | 200.00 | |
| Office Expenses | 175.00 | |
| Interest Paid | 50.00 | |
| Discount on Sales | 100.00 | |

| | |
|---|---|
| Merchandise Inventories at close: | |
| Department A | $1,200.00 |
| Department B | 700.00 |
| Department C | 200.00 |

## PROBLEM 39

From the following data, prepare the appropriate operating statement for the month:

| | Dept. A | Dept. B | Dept. C |
|---|---|---|---|
| Inventory, May 1 | $ 7,000.00 | $ 4,000.00 | $ 6,000.00 |
| Inventory, May 31 | 9,000.00 | 5,000.00 | 5,000.00 |
| Purchases | 15,000.00 | 10,000.00 | 5,800.00 |
| Sales | 21,200.00 | 19,000.00 | 9,500.00 |
| Direct Dept. Charges | 4,000.00 | 3,000.00 | 2,500.00 |

Other items to be considered are the following:

Office Salaries, $500.00.
Postage, $80.00.
Telephone and Telegraph, $35.00.
Stationery and Printing, $85.00.
Depreciation, Office Equipment, $25.00.
Discount on Merchandise Purchased, $600.00

## PROBLEM 40

### (Illinois, 1917)

The Best Stove Co. operates a retail store with two departments—X and Y. The following balances appear on the books of the company before closing Dec. 31, 1919:

| | Debit | Credit |
|---|---|---|
| Accounts Receivable (all good), X | $ 15,000.00 | |
| Accounts Receivable (all good), Y | 6,125.00 | |
| Accounts Payable | | $ 25,423.00 |
| Advanced to B | 1,075.00 | |
| Bad Debts, (X, $1,400.00; Y, $500.00) | 1,900.00 | |
| Barn Rent and Expense | 350.00 | |
| Bank Loans | | 12,000.00 |
| Notes Receivable | 650.00 | |
| Cash on Hand | 250.00 | |
| Capital Stock | | 20,000.00 |
| Discount on Purchases, X | | 15,500.00 |
| Discount on Purchases, Y | | 9,768.00 |
| Drivers' Wages | 2,400.00 | |
| Feed Used | 640.00 | |
| Furniture and Fixtures | 5,000.00 | |
| First National Bank Deposit | 2,496.00 | |
| General Advertising | 7,720.00 | |
| Horses, Wagons, etc. | 1,700.00 | |
| Inventory Jan. 1, 1919, X | 26,106.00 | |
| Inventory Jan. 1, 1919, Y | 15,000.00 | |
| Insurance | 1,125.00 | |
| Interest and Discount on Notes Payable | 925.00 | |
| Loan from A | | 7,000.00 |

| | | |
|---|---|---|
| Office and General Expenses | 1,200.00 | |
| Purchases, X | 224,300.00 | |
| Purchases, Y | 99,600.00 | |
| Rent and Light | 4,000.00 | |
| Surplus | | 2,920.00 |
| Sales, X | | 243,800.00 |
| Sales, Y | | 106,500.00 |
| Salaries—Office | 2,850.00 | |
| Officers | 10,000.00 | |
| Salesmen, X | 7,553.00 | |
| Y | 4,946.00 | |
| | $442,911.00 | $442,911.00 |

The books were closed on the basis of the trial balance by taking up the inventory of merchandise, which amounts to $33,400 for Department X and $15,000 for Department Y. Delivery expenses should be charged equally to the two departments and general expenses as follows: ⅔ to X and ⅓ to Y.

Depreciation should be provided at the rate of 10% on furniture and fixtures and at 20% for horses, wagons, etc.

## PROBLEM 41

### (Wisconsin, 1918)

(a) The following figures are for three departments of a store in the central west. You are to prepare a table such as you would present to the proprietor, showing for each department:

1. Cost of sales.
2. Percentage of cost of sales.
3. Gross profit.
4. Percentage of gross profit.
5. New Inventory at end of month.

**Inventory First of Month—January 1, 1917**

| Department | Cost Price | Retail Price |
|---|---|---|
| A | $12,045.87 | $20,260.78 |
| B | 2,264.00 | 3,911.62 |
| C | 4,916.45 | 7,505.13 |

**Purchases for January**

| Dept. | Purchases Cost | Purchases Retail | Mark Down on Cost | Mark Up on Retail | Returned Cost | Purchases Retail |
|---|---|---|---|---|---|---|
| A | $260.25 | $437.11 | $10.15 | $..... | $20.00 | $32.50 |
| B | 259.34 | 419.74 | ..... | 25.40 | ..... | ..... |
| C | 303.72 | 458.26 | ..... | 27.25 | ..... | ..... |

**Sales for January**

| Department | Sales | Mark Down on Retail |
|---|---|---|
| A | $1,332.94 | $0.99 |
| B | 280.89 | 2.49 |
| C | 909.09 | 3.20 |

Depreciation of 2% is figured on the cost of all purchases.

(b) What basis would you use for the distribution of the following expenses among departments?:

1. Insurance.
2. Rent.
3. Delivery expense.
4. Show window expense.
5. Advertising.
6. General administrative expense.

## PROBLEM 42

1. A, B, and C were partners with investments of $12,000, $8,000, and $4,000, respectively. The net profit for the year was $5,987.50, after paying C a salary of $1,500, which was charged to Salary account.

The net profit is to be divided according to the investment.

Required: the net profit of each partner; the present worth of each.

2. D and E made equal investments as partners. D's drawing account shows a debit balance of $1,750, and E's a credit balance of $437.50.

The following are the assets and liabilities:

| | |
|---|---|
| Cash | $ 540.85 |
| Merchandise Inventory | 894.20 |
| Accounts Receivable | 4,552.50 |
| Accounts Payable | 5,675.30 |
| Notes Payable | 1,025.60 |

The accounts receivable are worth 80c on the dollar.

Required: the present condition of the business. If each partner, from his private funds, pays one-half of the firm's indebtedness, how much should D pay E to adjust matters between the partners?

3. Warren Phelps and H. M. Brown are each engaged in the dry goods business. They decide to unite their business interests and form a partnership.

Phelps makes the following investment:

| | |
|---|---|
| Cash | $9,000.00 |
| Merchandise Inventory | 5,280.00 |
| Accounts Receivable | 4,235.00 |
| Notes Receivable | 1,350.00 |
| Interest Accrued on Above | 62.50 |

5% of the accounts receivable are not collectible.

Brown makes the following investment:

| | |
|---|---|
| Cash | $4,000.00 |
| Merchandise Inventory | 3,250.00 |
| Accounts Receivable | 2,320.00 |
| Notes Receivable | 650.00 |
| Discount Allowed on Above | 8.90 |

10% of the accounts receivable are not collectible.

(a) How should each partner close the books of his business?
(b) How would the books of the new business be opened?
(c) What is the opening journal entry for the new business?

4. Horace Porter and Wm. Duncan began business as a partnership, under the following conditions:

Mr. Duncan invests cash, $10,000; Mr. Porter makes no cash investment, as he is without capital, but is especially skilled in the details of the business undertaken. Mr. Porter is to conduct the business and direct all of its affairs. All profits realized are to be divided equally.

(a) Note some things that should be named in the articles of agreement.
(b) What opening entry would be made at the beginning of business?
(c) What entries would be made in Duncan's ledger accounts?
(d) What entries would be made in Porter's ledger account?

## PROBLEM 43

1. Henry M. Johnson admits you as an equal partner in his business. A statement shows the following:

| | |
|---|---|
| Cash | $ 750.00 |
| Merchandise Inventory | 4,780.00 |
| Office Furniture | 320.00 |
| Accounts Receivable | 2,136.00 |
| Accounts Payable | 1,145.00 |
| Notes Receivable | 896.00 |
| Discount Allowed on Above | 6.84 |
| Notes Payable | 612.00 |
| Interest Accrued on Above | 5.08 |
| Unpaid Rent Amounts to | 65.00 |
| Unpaid Freight in | 22.45 |
| Good Will Estimated at | 1,000.00 |

5% of the accounts receivable are not collectible.

You purchase a half interest in the business, giving Johnson your note for $2,000, indorsed by S. M. Winn, for one year, with interest at 6%, and cash for the balance of your investment.

(a) Make a statement of the business, showing Johnson's present worth.
(b) What is the amount of your investment, and what are the proper entries for the same?
(c) It is decided to open an entirely new set of books; how would the old books be closed and the new books opened?

2. Provin, Hasson & Little began business under the following conditions: Capital stock, $25,000; Provin invested $15,000; Hasson invested $6,000; Little borrowed $4,000 of Provin and invested it in the business. All investments were paid in cash.

Required: the opening entry.

3. Pratt & Hardy are equal partners. They decide to borrow cash, $3,000, as a means of increasing their business, giving a real estate mortgage as security.

(a) What entry would be made for the money borrowed?
(b) If the money borrowed was used as a permanent increase of the firm's capital, what advance of money, and what entries would have to be made when the mortgage was paid?
(c) What ledger accounts would be affected?

## PROBLEM 44

In each of the following problems make the necessary entries on the books to admit the new partner.

1. On January 1, 1921, Mr. H. C. Batch offered to pay H. L. Gaston $16,000 for a half interest in his business. The books, which were closed December 31, 1920, showed Mr. Gaston's net worth to be $28,000 on that date. The offer was accepted.

2. The net worth of J. M. Brown, wholesale grocer, on September 1, 1921, was $12,550. On that date H. E. Bloom acquired a third interest in the business by paying $9,000 cash to the credit of the firm.

3. The books of Benedict and Anderson showed their investments on June 30, 1921, the date of closing the books, to be as follows:

| | |
|---|---|
| O. J. Benedict | $12,000.00 |
| M. E. Anderson | 14,500.00 |

The profits and losses in the business were shared ⅖ to Benedict and ⅗ to Anderson.

On the above date B. O. Kinney was admitted as a partner, the new firm to be called Anderson and Company. The agreement between the partners provided that the new firm was to take over the assets and goodwill of Mr. Kinney, and in return he was to have a ⅕ interest in the business.

The assets of Mr. Kinney were:

| | |
|---|---|
| Merchandise | $5,650.00 |
| Notes Receivable | 1,240.00 |
| Accounts Receivable | 2,610.00 |

## PROBLEM 45

1. Dewey & Clark are partners. At the close of one year's business the accounts of the proprietors were as follows:

| | |
|---|---|
| Dewey, Investment | $7,500.00 |
| Dewey, Drawing, Dr. | 350.00 |
| Clark, Investment | 7,500.00 |
| Clark, Drawing, Dr. | 300.00 |

The profit and loss account showed the following items:

| | |
|---|---|
| Merchandise Sales, Profit | $2,356.70 |
| Sundry General Expense | 43.20 |
| Salaries | 500.00 |
| Interest Paid | 32.75 |
| Merchandise Discount on Purchases | 58.93 |
| Collection and Exchange | 6.12 |
| Interest Earned | 45.20 |
| Merchandise Discount on Sales | 33.25 |

Close the profit and loss account, and show the present worth of each partner.

2. Hart & Crowson are partners. At the close of one year's business the accounts of the proprietors were as follows:

| | |
|---|---|
| Hart, Investment | $5,000.00 |
| Hart, Drawing, Dr. | 250.00 |
| Crowson, Investment | 5,000.00 |
| Crowson, Drawing, Dr. | 320.00 |

The profit and loss account showed the following items:

| | |
|---|---|
| Merchandise Sales, Loss | $2,186.45 |
| Sundry General Expense | 50.00 |
| Salaries | 400.00 |
| Interest Paid | 56.25 |
| Merchandise Discount on Purchases | 84.50 |
| Interest Earned | 24.35 |
| Merchandise Discount on Sales | 33.60 |

Close the profit and loss account and show the present worth of each partner.

(a) Analyze each account.
(b) What per cent of the total investment is the net loss?
(c) What two things diminish the proprietor's present worth?

## PROBLEM 46

Meyer and Smith began a partnership business on January 1, 1919. At the time of closing the books on December 31, 1919, an examination of the capital accounts revealed the following facts:

| | |
|---|---|
| January 1—Meyer paid in | $10,000.00 |
| January 1—Smith paid in | 7,500.00 |
| May 1—Meyer drew out | 1,600.00 |
| June 1—Smith drew out | 1,000.00 |
| July 1—Smith paid in | 6,000.00 |
| July 1—Meyer drew out | 3,000.00 |
| October 1—Smith drew out | 3,000.00 |
| November 1—Smith drew out | 2,300.00 |
| December 1—Smith paid in | 5,000.00 |
| December 1—Meyer paid in | 4,000.00 |
| December 31—Meyer drew out | 5,000.00 |

The sales for the period were $7,260. The purchases were $6,180, and the inventory on December 31 was $4,280. The cash on hand was $3,650. Customers owed the firm $6,800 on account. Notes receivable amounted to $4,694. The accounts payable showed a balance of $3,688. The notes payable outstanding amounted to $1,280. The interest paid was $125. The selling expenses amounted to $4,689 and the administration expenses were $2,690.

The profit or loss is to be divided in proportion to each partner's capital, and in proportion to the time it was invested in the business.

(a) Prepare an operating statement,

(b) Prepare a financial statement,

(c) Show each partner's accounts after all closing entries have been made.

## PROBLEM 47

1. Make the statements; the results will show the net profit or the net loss for one year.

All profits or losses are to be shared equally; each partner is to receive 6% on all investments.

Required: the amount due each partner at the end of the year.

Frank Melville and John F. Brown, partners, conduct a general merchandise business under the firm name of Melville & Brown.

The statements are to be made from the following data:

| | |
|---|---|
| Frank Melville, Investment | $25,000.00 |
| John F. Brown, Investment | 20,000.00 |
| Merchandise Bought | 78,240.00 |
| On Hand at Close of the Year | 12,564.50 |
| Sold | 74,312.25 |
| Real Estate, Cost | 5,000.00 |
| Building and Fixtures | 12,500.00 |
| Depreciation for 1 Year | 625.00 |
| Notes Receivable | 10,775.20 |
| Interest Accrued on Notes Receivable | 225.50 |
| Delivery Equipment, Value at Close of Year | 1,120.00 |
| Office Furniture, Value at End of Year | 1,350.00 |
| Sundry General Expense | 350.00 |
| Salaries | 2,000.00 |
| Traveling Expenses | 1,125.00 |
| Accounts Receivable | 19,685.50 |
| Cash | 20,167.30 |
| Mortgage Payable, on Real Estate and Building | 9,750.00 |
| Interest Accrued on Above | 275.00 |
| Notes Payable | 3,650.00 |
| Interest Accrued on Above | 125.00 |
| Accounts Payable | 12,200.00 |
| Merchandise Discount on Sales | 384.50 |
| Merchandise Discount on Purchases | 252.50 |

The account of John F. Brown is to be credited with $1,600 from the profits of the business, for special services, before the apportionment of profit and loss is made.

July 1 Frank Melville withdrew $500 from the business.

2. In the partnership of A and B you find that the agreed division of profit and loss was to be on the basis of the capitals contributed and of the time that they were left in the business.

The books show as follows: A's account, paid on Jan. 1, $6,000; March 1, $2,000; June 1, $4,000; November 1, $1,000; withdrew, April 1, $3,000; withdrew October 1, $2,000.

B's account, paid on January 1, $4,000; February 1, $1,000; August 1, $3,000; withdrew, May 1, $2,000; December 1, $1,000.

Prepare a statement, showing method of arriving at the correct profit distribution.

## PROBLEM 48

1. A, B, and C invested equal amounts, and agreed to share all results equally. When the firm dissolved the assets amounted to $15,000.50, and the liabilities to $18,520.50. The net loss was 12,520.

Required: each partner's insolvency at dissolution; each partner's investment at the beginning of the business.

2. A and B engaged in business as partners, investing $10,000 and $5,000, respectively. They agreed to share all profits or losses in proportion to the investment. At dissolution the following were the assets and liabilities:

| | |
|---|---|
| Cash | $ 2,350.00 |
| Notes Receivable | 4,275.00 |
| Real Estate | 3,000.00 |
| Merchandise Inventory | 10,750.00 |
| Accounts Receivable | 7,775.00 |
| Notes Payable | 1,745.00 |
| Accounts Payable | 5,255.00 |

10% of the accounts receivable cannot be collected.

If the partnership lasted one year, and A withdrew $975 and B $1,025 as their salaries, what is each partner worth?

3. Y and Z make equal investments in a total capital of $9,000. During the year each partner added $500 to his capital.

At the end of the year the books showed the following assets and liabilities:

| | |
|---|---|
| Real Estate | $3,275.50 |
| Cash | 1,432.75 |
| Accounts Payable | 1,354.00 |
| Notes Receivable | 1,750.00 |
| Notes Payable | 1,672.50 |
| Office Furniture | 328.40 |
| Delivery Equipment | 425.60 |
| Accounts Receivable | 2,345.25 |
| Merchandise Inventory | 2,242.50 |

At the close of one year what amount was due each partner, the profits or the losses being shared equally?

## PROBLEM 49

(Adapted from English Intermediate Examination, May, 1912)

1. A and B have separate businesses, and they agree to amalgamate and enter into partnership. The firm take over the following assets and liabilities:

| From A | | From B | |
|---|---|---|---|
| Land and Buildings | $50,000.00 | Stock in Trade | $30,000.00 |
| Notes Payable | 15,000.00 | Accounts Payable | 25,000.00 |
| Plants and Machinery | 25,000.00 | Accounts Receivable | 50,000.00 |
| Stock in Trade | 15,000.00 | Cash at Bank | 10,000.00 |
| Work in Progress | 5,000.00 | | |
| Accounts Receivable | 26,750.00 | | |
| Accounts Payable | 30,000.00 | | |
| Notes Receivable | 10,000.00 | | |
| Cash at Bank | 5,000.00 | | |
| Mortgage Creditor | 40,000.00 | | |

Make the opening journal entries, and prepare opening financial statement.

2. On December 31, 1910, three partners had the following amounts at the credit of their investment accounts:

A, $25,000; B, $15,000; C, $10,000.

On January 1, 1910, they had to the credit of their drawing accounts:

A, $3,750; B, $2,500; C, $2,000.

Profits are divided in the same proportion as the capital up to $10,000. Above that amount, A gets 25%, B 35% and C 40%.

| | |
|---|---|
| A drew during the year 1910 | $2,500.00 |
| B drew during the year 1910 | 2,000.00 |
| C drew during the year 1910 | 1,500.00 |

The profits for 1910 amounted to $15,000.

Give the drawing account of each partner on December 31, 1910.

**(Adapted from Intermediate Examination, March, 1910)**

3. X, Y, and Z are in partnership and on January 1, 1909, their respective capitals were $20,000, $13,900 and $7,950. Y is entitled to a salary of $1,250 and Z to one of $1,000 per annum, payable before division of profits. Of the net divisible profits X is entitled to 40% of the first $5,000, Y to 35%, and Z to 25%; over that amount profits are shared equally. The profit for the year ended December 31, 1909, after debiting partners' salaries, but before charging interest on capital, was $11,585. and the partners had drawn $4,000 each on account of salaries, interest, and profits. Prepare the closing entries of the profit and loss account and the partners' accounts for the year.

## PROBLEM 50

L. M. Harris and F. C. Gates, decide to combine their retail business, F. C. Gates agreeing to pay in cash an amount sufficient to make him an equal partner.

Harris' assets and liabilities are: cash $1,000; merchandise $4,280; notes receivable $1,500; with accrued interest on same $10.75; accounts receivable $985, estimated as worth $960; furniture $980; notes payable $1,000; with accrued interest on same $10; accounts payable $415.

Gates' assets and liabilities are: cash $400; merchandise $4,800; accounts receivable $1,416; valued at $391; notes receivable $1,500; accounts payable $300; notes payable $1,460; with accrued interest on same $8.69; salaries earned but unpaid $58; notes receivable discounted $1,000.

All the assets are taken over at book value. Make the journal entries for each partner to close his old set of books; the opening journal entries; and the opening financial statement for the new firm.

## PROBLEM 51

### (Adapted from English Examination, May, 1908)

The following is the Trial Balance of A. Jumble and T. Sale on December 31, 1907:

| | | |
|---|---|---|
| A. Jumble, Capital Jan. 1 | | $ 60,000.00 |
| T. Sale, Capital Jan. 1 | | 45,000.00 |
| Machinery and Plant | $ 50,000.00 | |
| Stock, Jan. 1 | 27,500.00 | |
| Purchases | 110,000.00 | |
| Salaries | 5,000.00 | |
| Wages | 22,500.00 | |
| Sales | | 175,000.00 |
| Debtors | 45,000.00 | |
| Creditors | | 28,000.00 |
| Freight | 2,350.00 | |
| Rent, Taxes, and Insurance | 6,000.00 | |
| Discount Lost | 150.00 | |
| A. Jumble, Salary | 3,000.00 | |
| T. Sale, Salary | 2,000.00 | |
| Cash at Bankers | 21,500.00 | |
| Repairs | 1,250.00 | |
| Fuel | 5,500.00 | |
| Notes Payable | | 3,750.00 |
| Notes Receivable | 1,875.00 | |
| Cash in Hand | 125.00 | |
| | $303,750.00 | $303,750.00 |

The stock at the end of the year amounted to $30,000.

Prepare proper revenue accounts, the partners' accounts and the financial statement.

Each partner is to have 5% interest on his capital; the profits and losses are to be divided, two-thirds to A. Jumble and one-third to T. Sale; 7½% depreciation is to be written off machinery and plant; $1,750 is to be reserved for bad debts; and insurance, amounting to $1,500 paid for the year ending March 31, 1908, has to be apportioned.

## PROBLEM 52

### (Adapted from English Examination, Nov.-Dec., 1910)

A and B carried on business as pottery manufacturers at Hanley, under the style of A, B and Co. They dissolved partnership on March 31, 1909, A retiring from the business and B continuing to carry it on under the same style and purchasing A's share therein at the amount shown as his capital at March 31, 1909, after a proper re-valuation of the assets.

The firm's balance sheet at December 31, 1908, was as follows:

| Assets | | Liabilities | |
|---|---|---|---|
| Land and Buildings | $ 50,000.00 | Accounts Payable | $ 25,000.00 |
| Plant and Machinery | 30,000.00 | Notes Payable | 7,500.00 |
| Equipment and Tools | 15,000.00 | Mortgage on Land and Buildings at 4% | 37,500.00 |
| Merchandise Inventory | 45,000.00 | A, Capital | 72,500.00 |
| Accounts Receivable | 37,500.00 | B, Capital | 47,500.00 |
| Notes Receivable | 5,000.00 | | |
| Cash in Hand and at Bank | 7,500.00 | | |
| | $190,000.00 | | $190,000.00 |

Profits and losses, both of Revenue and Capital, were divided in the proportion of A, two-thirds, and B one-third.

The re-valuation at March 31 resulted as follows: Land and Buildings,

$45,500; Plant and Machinery, $28,000; Equipment and Tools, $17,500; Stock in Trade, $40,000.

The other assets at that date were agreed as follows: Accounts Receivable, $42,500; Notes Receivable, $3,000; Cash in hand and at Bank, $10,000.

The liabilities were: Loan on Mortgage at 4%, $37,500 (interest paid to 31st December, 1908); Notes Payable, $5,000; Accounts Payable, $17,500.

Make out the necessary adjustment accounts and Financial Statement on March 31, 1909.

## PROBLEM 53

The following are the sectional and columnar headings (left to right) of a subscription ledger used by the Acme Company:

- Date.
- Number of shares subscribed.
- Unit value.
- Total amount.
- Installments:
  - No. 1—50%.
  - No. 2—25%.
  - No. 3—25%.
- Date:
  - Called.
  - Paid.
- Installments:
  - No. 1—50%.
  - No. 2—25%.
  - No. 3—25%.
- Balance.

You are asked to draw the form and to record the following facts in the appropriate spaces:

On December 1, 19—, John White subscribed to 25 shares of common stock in the Acme Company, par value, $100. The conditions under which the stock is issued are as follows: One-half the purchase price due with the subscription and quarter to be called on February 1 and the last installment of 25% to be called on April 1. John White pays the first installment at time of subscription, the second on December 3 and the third on April 5.

## PROBLEM 54

(a) The following are the sectional and columnar headings (left to right) of the stock ledger used by the Baker Company:

- Date.
- Number of Certificates:
  - Issued.
  - Cancelled.
- Number of Shares:
  - Debit.
  - Credit.
  - Balance.
- How Paid.
- From Whom Transferred.
- To Whom Transferred.

You are asked to draw the form and to record the following facts in the proper spaces of the stock ledger accounts with John White, Joe Brown and Sam Black:

On December 1, 19—, each of the three gentlemen subscribed for 20 shares

of stock in the company and paid for it in cash. On January 2, 19—, Brown sold White 10 shares at 110 per share; on March 15, 19—, Black bought 5 shares of Brown at 115; on June 1, 19—, White sold Black 15 shares at 112½ and on June 15 Brown repurchased the shares sold White on January 2, at 108.

(b) The Clark Company uses the form as above described with the addition of three columns for the amount of the shares—Debit, Credit and Balance.

You are asked to draw the form and to record properly the same facts as given under "a."

## PROBLEM 55

The following are the columnar headings (left to right) of the stock transfer book used by the Drane Company:

Date.
Number of Cancelled Certificate.
Number of Shares.
By Whom Surrendered.
To Whom Issued?
Number of New Certificate.
Number of Shares.

You are asked to draw the form and to record the following information in the appropriate spaces:

The same facts are to be used as in Problem 43; the certificate numbers are as follows:

Original Certificate to White, No. 12.
Original Certificate to Brown, No. 14.
Original Certificate to Black, No. 15.
Jan. 2—Transaction: New Certificate issued White, No. 48; new Certificate issued Brown, No. 49.
Mar. 15—Transaction: New Certificate issued Brown, No. 90; new Certificate issued Black, No. 91.
June 1—Transaction: New Certificate issued Black, No. 141; new Certificate issued White, No. 142.
June 15—Transaction: New Certificate issued Brown, No. 198; new Certificate issued White, No. 199.

## PROBLEM 56

### (Pennsylvania, 1900)

Make the necessary opening entries in the stock ledger, cash book, and subscription books of a company having an authorized capital of $100,000, $75,000 of which is subscribed for, and on $50,000 of which an installment of 50% has been paid. Nothing has been paid on the balance of the subscribed stock.

The stockholders and their holdings are as follows:

| | | |
|---|---|---|
| A | $20,000.00 | 50% paid |
| B | 4,000.00 | " " |
| C | 16,000.00 | " " |
| D | 2,000.00 | " " |
| E | 2,000.00 | " " |
| F | 2,000.00 | " " |
| G | 2,000.00 | " " |
| H | 2,000.00 | " " |
| I | 10,000.00 | nothing paid |
| J | 5,000.00 | " " |
| K | 5,000.00 | " " |
| L | 5,000.00 | " " |

## PROBLEM 57

The Farm Tractor Company incorporated on December 1, 1918, in the state of North Dakota, for 5,000 shares of common stock and 2,000 shares of preferred; the par value of each being $100. The stock subscription books show the following signatures:

**Common Stock Subscription Book**

| Name | No. of Shares | Amount Paid | How Paid |
|---|---|---|---|
| R. L. Weeks........... | 5,000 | 100% | Cash, Property and Services (see note below) |

**Preferred Stock Subscription Book**

| | | | |
|---|---|---|---|
| R. L. Weeks.................................... | 500 | 30% | By Check |
| L. V. Bond..................................... | 200 | 30% | " " |
| N. K. Giles..................................... | 100 | 30% | " " |
| H. S. Rand...................................... | 175 | 30% | " " |
| J. T. Noyes...................................... | 125 | 30% | " " |

On June 1, 1919, the second installment of 20% was paid on the preferred stock and scrip receipts were issued for the amount paid in to the subscribers in the order listed above. On the same date R. L. Weeks donated 1,000 shares of common stock to the treasury for working capital. R. Brand then purchased 100 shares of this treasury stock at 90, E. Jones 200 shares at 95, F. Schmidt 100 shares at 98, M. Lund 100 shares at par, and the certificates were issued to them.

On December 1, 1919, the preferred stock subscribers paid in the remaining 50% and the necessary certificates were issued.

The profits for the year were $60,000 and a 7% dividend was declared on both the common and preferred stocks. The remaining 500 shares of common stock were sold at 105, upon this indication of prosperity, to K. Thon. R. L. Weeks sold 100 shares of preferred stock to E. Hunt and turned in certificate number 1, from which the transfer is to be made.

From the above facts prepare the following:

1. Journal entries to record all stock transactions, including the declaration of the dividend and the donation and sale of the Treasury Stock.
2. Subscription Ledger.
3. Stock Ledger.

Note: Proportion of Cash 30%.
Property (Plant and Machinery) 50%.
Services 20%.

New certificate numbers are to be provided for all exchanges and for the issue of Treasury Stock.

## PROBLEM 58

The Martin Company was organized and incorporated January 1, 1922, for the purpose of manufacturing concrete mixers.

The authorized capital of $200,000 consisted of 1,500 shares of common stock, having a par value of $100 per share, and 500 shares of preferred stock of the same par value.

The following subscribed and paid for the common stock:

James Carmen, 500 shares paid in cash;

Alvin Lilly, 250 shares by transferring the following assets and liabilities:

cash $35,000; notes receivable $26,000; merchandise $15,000; accounts receivable $8,000; furniture $6,000; accounts payable $40,000; notes payable $25,000;

Hersey Halvorson, 400 shares, paying one half in cash and the balance payable at the end of the first year;

Fred Gilbert, 350 shares, by giving his personal note for $35,000 payable one year after date.

The following organization expenses were paid in cash: filing fees $200; legal expenses $400; inspection trips $600.

Of the 500 shares of preferred stock, 250 shares were sold to outsiders for cash.

(a) Give the opening journal entries.

(b) Prepare the opening financial statement of the corporation.

## PROBLEM 59

The American Chocolate Company was organized by James Phipps, Henry Borman, and William Jennings, who signed the certificate of incorporation and subscribed for ten shares each. The certificate of incorporation was filed by the Secretary of the State of New York on July 1, 1912. The authorized capital stock was $100,000 divided into one thousand (1,000) shares of the par value of $100 each. The subscribers paid for their stock on July 1. The organization tax and filing fees amounted to $54.20.

The certificates issued to the incorporators were numbered 1, 2 and 3 in the order the names appear above. During the six months subsequent to July 1 the following transactions took place:

July 23, J. F. Dominick bought 100 shares and received certificate No. 4; August 10, A. J. Hudson subscribed for 5 shares and paid 25% on account; August 20, the incorporators subscribed for 500 shares and paid 25% on account; August 28, certificate No. 5 for 100 shares was issued to A. E. Pratt for land; September 4, paid contractor $5,000 on account of building contract of $40,000; September 10, incorporators paid 25% on account of stock; September 12, paid contractor $15,000; September 14, issued certificate No. 6 for 50 shares to R. E. Holmes for patents on machinery; September 17, bought machinery for $10,000, paying $5,000 on account and giving notes for the balance; September 20th, Dominick sold 25 shares to James Powers (new certificates No. 7 and No. 8); September 24, incorporators paid balance due on stock, except Jennings, who gave a note for $5,000 for part of the amount due from him; certificates were issued—No. 9 to Phipps for 200 shares, No. 10 to Borman for 200 shares, and No. 11 to Jennings for 100 shares; October 10, paid balance on building contract; October 12, William Mortimer, attorney, rendered a bill of $500 for services in connection with the organization of the company; October 14, H. Britton subscribed for 15 shares of stock and paid 50% on account; October 18, Dominick sold 5 shares each to D. Read, H. Robinson, and F. Stone (new certificates No. 12, No. 13, No. 14, No. 15); October 30th, Hudson refused to make further payments on his subscription and it was cancelled; October 31, Borman pledged 100 shares of his stock as collateral for a loan of $5,000 from the Park National Bank.

From the foregoing prepare:

(a) Formal journal entry opening the general books (debiting capital stock unissued and crediting capital stock authorized).

(b) Skeleton ledger accounts showing the transactions on the general books.
(c) General balance sheet, October 31, 1912.
(d) Stock book as required by law.
(e) List of stockholders, showing number of shares held by each, October 31, 1912.

Memo. Acceptance of Jennings' note fund not to be legal (Penal Law, Section 664, Sub-section 3). Note replaced by cash, September 27.

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## PROBLEM 60

The New York Tool Company was incorporated under the laws of the State of New York, July 1, 1912, with an authorized capital stock of $100,000, divided into 1,000 shares of the par value of $100 each. The incorporators, each of whom subscribed and paid for 20 shares of stock, were R. S. Savage, W. L. Groves, and S. B. Long. The organization tax and filing fees were $53.45. The bill of the attorney for services in connection with incorporation was $300. The first three stock certificates were issued to the incorporators.

The subsequent transactions were as follows: July 20, C. Stevens bought 100 shares and received certificate No. 4; August 5, H. Tepper subscribed for 10 shares and paid 50% on account thereof; August 17, Savage subscribed for 100 shares, Groves 125 shares, and Long 75 shares, each paying 50% on account; August 26, certificate No. 5 for 300 shares was issued to John Thompson for land and buildings; September 5, bought machinery in the amount of $12,000, paying $8,000 in cash and giving note for balance; September 16, certificate No. 6 for 60 shares issued to John Darby for Patents; October 2, Stevens sold 30 shares to M. McLean (new certificates No. 7 and No. 8); October 4, Savage and Groves paid balance on account of subscriptions, in cash; Long paid part in cash and gave services $2,500 for the balance; certificates No. 9, No. 10, and No. 11 issued to the incorporators; October 21, K. Libby subscribed for 30 shares, paying 50% on account; October 23, M. McLean sold 10 shares to B. Partridge, 5 shares to E. Flint, and 5 shares to T. Porter (new certificates No. 12, No. 13, No. 14, and No. 15 issued); October 31, Savage assigned 10 shares of stock to B. Jones; Tepper refused to make further payments on his subscription and it was cancelled.

From the foregoing prepare:

(a) Formal journal entry opening the general books and journal entries for subsequent transactions.
(b) General balance sheet, October 31, 1912.
(c) Stock book as required by law.
(d) List of stockholders, showing number of shares held by each, October 31, 1912.

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## PROBLEM 61

1. A corporation has been formed with a capital stock of $80,000; par value of each share, $100. 750 shares have been subscribed for, and $50,000 cash has been paid on the subscription. The remaining 50 shares are to remain unissued.

Required: the opening journal entry, and the cash book entry.

2. A corporation has been formed with a capital stock of $120,000, 1,200 shares of a par value of $100 each. 50% of the capital stock has been sub-

scribed for at par, and paid for in cash; 25% of the capital stock has been subscribed for, payments to be made in monthly installments. The remaining 25% of the capital stock is to remain unissued.

Required: the opening journal entries, and the cash book entries.

3. Henry S. Wyman is the owner of a manufacturing plant. The following are his assets and liabilities:

| | |
|---|---|
| Cash | $ 6,000.00 |
| Manufacturing Plant | 9,000.00 |
| Real Estate | 10,000.00 |
| Raw Material | 7,000.00 |
| Accounts Receivable | 2,000.00 |
| Accounts Payable | 3,000.00 |
| Mortgage Payable | 5,000.00 |

Mr. Wyman has decided to unite with Edwin L. Horton, Benj. S. Milton, and Wm. A. Carter, to form a corporation. The capital stock is to be $75,000; 750 shares of a par value of $100 each. Mr. Wyman is to receive 300 shares of stock, and each of the other incorporators 100 shares. The remaining 150 shares are to remain unissued.

The difference between the assets and the liabilities of Mr. Wyman, and the par value of 300 shares, is to be charged to **Good Will** account.

Required: The necessary entry to close Mr. Wyman's books. Also, the necessary entries to open the new books of the corporation.

## PROBLEM 62

A Massachusetts corporation temporarily in need of funds makes the following arrangement with three of its directors. They individually pledge their stock, par value $15,000, $10,000, and $5,000, and receive loans of $7,500, $5,000, and $2,500, with which they purchase new stock at par. It is their intention, when the loans are paid by the corporation, to return this $15,000 worth of stock.

(a) May this stock be purchased by the company?

(b) What should be the entries on the books of the corporation?

(Massachusetts, 1915)

## PROBLEM 63

1. The stockholders of the Brown Book Company vote to increase the capital stock of the company from $100,000 to $150,000. The former amount is fully paid. Give the journal entry to record the increase, assuming the permission of the state officials has been obtained.

(a) Give the necessary journal entries for recording the subscription to one-half the increase in capital stock, and the payment in cash of one-half the amount subscribed.

2. A corporation has been formed for the manufacture of machinery with a capital stock of $160,000; par value of each share, $100. The owner of the patents is to receive 400 shares of stock for his inventions; the promoter is to receive 150 shares of stock for interesting moneyed men in the company; 750 shares of the remaining stock have been subscribed for and paid for in cash; the remaining 300 shares are to remain unissued.

Make the opening entry.

## PROBLEM 64

The Hill Oil and Mining Co. is incorporated in Blank State with a capital stock of $1,000,000, divided into 500,000 shares of $2 each.

At a meeting of the incorporators the sum of $4,000 was subscribed and cash to the amount of $2,000 ($1 per share) was paid in, the balance being chargeable to Organization Expense.

The board of directors votes to offer the public 125,000 shares at $1 each to create a working fund. They also authorize the issuance of 80,000 shares of stock in exchange for oil leases valued at $160,000. Incorporating expenses amounting to $600 were paid. The board approved the sale of 8,000 shares at $1 per share less a commission to the broker of 20%.

You are asked to give the journal entries to record properly the above facts.

## PROBLEM 65

1. The A. B. Corporation has issued $100,000 capital stock, $50,000 of which has been donated back to the company. Half of the donated stock is sold at 75 and the other half is sold at 105. Make the necessary journal entries.

2. (a) A firm having $40,000 treasury stock has $600,000 stock issued and outstanding. How would you show the treasury stock on the balance sheet?
   (b) The directors of the above corporation declare a dividend of 6% or $36,000. Would you, as an auditor, criticise their action, and if so, on what grounds?
   (c) The above firm sells its treasury stock at 105 and issued $50,000 new stock for cash. Make the necessary journal entries.

3. The C. D. Corporation issued $20,000 Capital Stock. The stockholders donated to the corporation $10,000 of Capital Stock. Donated stock of par value of $5,000 is sold at 50% of par. The remainder of the donated stock was sold at 105. Make the necessary journal entries.

4. The Brown Co. is organized with capital stock of $100,000 par value of which $75,000 is subscribed and paid for. A. B., who purchased $20,000 of this stock, donated half of his purchase to the corporation. Of this donated stock $6,000 par value was sold for $5,000 cash. Make the necessary journal entries.

## PROBLEM 66

1. A company with an authorized capital stock of $1,000,000, $100 par value, issues $800,000 of shares in payment of various properties. In order to secure working capital the shareholders return to the company 3/8 of their holdings to be sold at 50, and on same day 1,000 shares are so sold and paid for. How would you treat this matter? Draft entries and show ledger accounts and balances.

2. The authorized capital stock of a corporation is $500,000, divided into 5,000 shares, par value $100. Of this amount $400,000 has been subscribed and paid for in full. The corporation purchases ten shares of a dissatisfied stockholder for $75 a share, and five other stockholders each donate five

shares to the company. Five shares of the purchased stock and all of the donated stock are sold for $50 a share.

(a) Draft proper entries and show the ledger accounts and balances.
(b) How would the balances of the accounts in (a) appear in a balance sheet?
(c) Give the entries and show the ledger accounts and balances if the capital stock were of no specified par value, but 5,000 shares had been issued at $80 and the other conditions remain as stated in the first paragraph.
(d) How would the balances of the accounts in (c) appear in a balance sheet?

3. A corporation having issued stock at par ($100 per share) buys 1,000 shares at 95. It later sells 500 of these shares at 98, and 300 at 85, and 200 at 101.

1. Give the journal entries covering these transactions.
2. Prepare skeleton accounts showing above transactions.

(Adapted from Institute Examination, June, 1917)

## PROBLEM 67

1. The authorized outstanding capital stock of a corporation amounted to $100,000 before stockholders made a pro rata donation of $10,000 worth of stock (100 shares at par). Of this treasury stock, 40 shares were sold for cash, at $30 and 20 shares for cash, at $25. Give the journal entries to record the above transactions, post to ledger accounts, and show how the capital stock item would appear in the financial statement after consideration of the above points.

2. The directors of a corporation purchase 100 shares of stock held by two dissatisfied stockholders at $50 per share. The par value is $100 per share. Fifty shares of the stock is immediately sold for $55 per share and a month later the balance is sold for $60 per share. Required, the necessary journal entries.

3. A corporation's balance sheet shows a capital stock account, authorized $150,000.00, issued $125,000.00. In order to provide working capital, the stockholders subsequently make a pro rata donation of $15,000 worth of stock, for which Treasury Stock Account was charged and Working Capital Donated credited. Of this treasury stock, 40 shares were sold at $60, and 20 shares were sold at $70, the balance is still in the treasury.

The company now issues $40,000 of 6% first mortgage bonds, duly authorized, and gives to the vendee of the bonds all of the treasury stock as a "bonus." The purchase price for the bonds is $35,000.

(a) Show the entries which were made to put these facts on the books.
(b) Show the entry for the sale of the bonds.

## PROBLEM 68

The Hackett Novelty Company was organized on January 1, 1912, under the laws of the State of New York, with an authorized capital stock of $500,000, divided into 2,500 shares of preferred stock of the par value of $100 each and 5,000 shares of common stock of the par value of $50 each.

At the first meeting of the directors a proposition was received from

Jones and Hackett, co-partnership trading under said name, whereby it was proposed to transfer the business property and good will of the co-partnership except cash to the corporation, for and in consideration of the sum of $400,000, to be paid in the capital stock of the corporation, $250,000 in preferred stock and $150,000 in common stock, the corporation to assume all the debts in connection with said business. The proposition was accepted by the directors and the value of the business acquired fixed by them at $400,000.

From the schedules of assets and liabilities the following accounts were opened by the corporation: Land and buildings, $100,000; equipment, $25,000; motor truck, $6,000; furniture and fixtures, $8,000; investments, $50,000; materials and supplies, $15,963.21; goods in process, $32,813.97; finished goods, $25,195.64; accounts receivable, $47,972.13; notes receivable and interest, $10,125; insurance unexpired, $475; bond and mortgage payable and interest, $30,450; taxes accrued, $780; salaries and wages accrued, $3,265; accounts payable, $49,607.52; notes payable and interest, $20,225.72.

Of the common stock remaining after the issue of that to Jones and Hackett, 1,200 shares were sold to various persons for cash, out of which $1,000 was paid to an attorney for organization taxes, filing fees, and expenses.

From the above prepare:

(a) Pro-forma journal entry opening the books, followed by journal entries expressing the subsequent transactions.

(b) General balance sheet of the corporation after the entries have been made.

(c) Skeleton ledger accounts showing the closing of the firm's books.

Note: According to the balance sheet of the firm on December 31, 1911, the assets were $354,328.24; the liabilities, $104,328.24; capital, A Jones, $150,000, B. Hackett, $100,000. The partners divided profits and losses in proportion to investment.

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## PROBLEM 69

The Hampton Circle Swing Company was organized in New York on April 1, 1912, with an authorized capital stock of $500,000, divided into 5,000 shares of the par value of $100 each. The certificate of incorporation was filed April 5.

At a meeting of the directors held on April 6, there was acquired from W. J. Hampton, at a valuation of $500,000, all his right, title, and interest in various patents held by him on the Hampton Circle Swings.

In order to raise funds with which to exploit the invention, Mr. Hampton donated to the company 2,499 shares of stock. Of this 2,250 shares were sold from time to time at an average price of 90, and 225 shares were used in giving a bonus of 10% in stock.

The parts necessary to erect and equip three swings were purchased from the Danielson Iron Company. The cost was $73,247.92, of which $50,000 was paid in cash. The labor incident to erection was paid for in cash and amounted to $45,386.58. One swing was installed at Coney Island, at a cost of $39,544.83; one at Atlantic City, at a cost of $41,275.17; and one at Fort George, at a cost of $37,814.50. The privileges cost, collectively, $12,000. The net income from the operation of the swings for the season was: Coney Island, $12,273.85 (sold before Labor Day for $50,000); Atlantic City, $2,863.15 (installation not completed until after July 4); Fort George, $6,743.35. The

salaries and expenses of the company from April 1 to September 30, 1912, were $18,787.59. The balance on account was paid to the Danielson Iron Company and $2,000 was paid for a privilege at Ocean City for the season of 1913.

Prepare:

(a) Journal entries opening the books of The Hampton Circle Swing Company and covering subsequent transactions.

(b) Balance sheet, September 30, 1912.

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## PROBLEM 70

The Roller-Coaster Company was incorporated January 1, 1912, under the laws of the State of New York, with an authorized capital stock of $750,-000, divided into 5,000 shares of preferred and 2,500 shares of common stock of the par value of $100 each.

The stock was all issued to Frederick Johnson for patents. Johnson donated the common stock for working capital. Ninety per cent. of it was sold at an average price of 85.

Three outfits were erected as follows: Coney Island, cost $60,827.92; Midland Beach, cost $61,382.43; Glen Island, cost $59,783.47. The cost is composed of material obtained from sundry creditors in the amount of $120,421.78 (of which $97,421.78 was paid in cash), and labor of installation, $61,572.04.

Privileges cost $8,750. The net income from operation for the season was: Coney Island, $8,762.50; Midland Beach, $5,327.90; Glen Island, $2,-275.85. A privilege at Old Orchard for the season of 1913 was purchased for $500. The salaries and expenses of the company from January 1 to September 30 were $22,836.79.

Prepare:

(a) Journal entries opening the books and covering subsequent transactions.

(b) Balance sheet, September 30, 1912.

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## PROBLEM 71

### (Adapted from English Intermediate Examination, May 1912)

The following is the trial balance of a company on December 31, 19—:

| | | |
|---|---|---|
| Inventory, Jan. 1, 1919 | $ 10,000.00 | |
| Accounts Receivable | 10,000.00 | |
| Plant and Machinery | 5,000.00 | |
| Wages | 2,500.00 | |
| Salaries | 1,000.00 | |
| 7% Preferred Stock | | $ 12,500.00 |
| Common Stock | | 12,500.00 |
| Lands | 15,000.00 | |
| Accounts Payable | | 5,000.00 |
| Surplus | | 5,000.00 |
| Traveling Expense | 1,250.00 | |
| Purchases | 50,000.00 | |
| Sales | | 75,000.00 |
| Cash | 15,250.00 | |
| | $110,000.00 | $110,000.00 |

Inventory on December 31, 19—, was $12,500.

It is decided:

To write 10% off Plant and Machinery.
To reserve 10% for Bad Debts.
To place $6,250 to Reserve for contingencies.
To pay 7% dividend on Preferred Stock.
To pay 6% dividend on Common Stock and to keep the balance in Surplus.

Prepare the appropriate revenue accounts for the year, and the financial statement as at the close, after appropriating the profits as directed.

## PROBLEM 72

### (Adapted from English Examination, May, 1912)

The following were the Ledger Balances of a Home Trade Company on December 31, 1911:

| | |
|---|---|
| Common Stock | $150,00.00 |
| 7% Preferred Stock | 190,000.00 |
| Trade Creditors | 275,000.00 |
| Notes Payable | 115,000.00 |
| Reserve for Depreciation | 25,000.00 |
| Surplus (Credit Balance at Jan. 1st) | 3,750.00 |
| Gross Profit of Departments | 277,500.00 |
| Inventories | 140,000.00 |
| Dividends Paid | 11,000.00 |
| Accounts Receivable | 500,000.00 |
| Notes Receivable | 12,500.00 |
| Plant and Fixtures | 15,500.00 |
| Cash at Bankers | 64,000.00 |
| Good Will | 125,000.00 |
| Cash in Hand | 3,250.00 |
| Salaries and Wages | 78,500.00 |
| Interest and Discount Paid | 225.00 |
| Rent Paid | 30,000.00 |
| Warehouse, Traveling and Other Expenses | 61,500.00 |
| Directors' and Auditors' Fees | 3,025.00 |
| Bad Debts | 8,500.00 |
| Repair of Plant and Fixtures | 2,250.00 |

The following provisions have to be made:

$5,000.00 for bonuses to employes.
5% Interest to Note Creditors.
10% off plant and fixtures.

Complete the revenue accounts and make up a financial statement as on December 31, 1911, assuming that a dividend for the year of 10% and 7% on Common and Preferred Stock, respectively, is declared, and a transfer of $15,000 made to Reserve for Contingencies.

## PROBLEM 73

The Ironton Manufacturing Company was incorporated July 1, 1910, under the laws of the State of New York, with an authorized capital stock of $1,000,000, divided into 7,000 shares of preferred, par value $100 each, and 6,000 shares of common stock, par value $50 each.

The incorporators subscribed collectively to 10 shares of the preferred stock and paid on account thereof 50% of the par value.

Subsequent to incorporation, a proposal was received by the company, from Artuh Drummond on behalf of Franklin Mansfield and Curtis Blackwell, two of the incorporators, wherein it was proposed to sell to the company for the sum of $500,000, payable $400,000 in preferred stock and $100,000 in

common stock, all right and title in the net assets, exclusive of cash, of Mansfield and Blackwell, a co-partnership engaged in manufacturing, along lines similar to those proposed by the new company. These assets, exclusive of cash ($20,000), were carried on the books of the co-partnership at $400,000; Mansfield and Blackwell being equally interested in the assets, but dividing profits in the proportion of three-fifths and two-fifths, respectively.

For the purpose of providing working capital, the proposal of Drummond having been accepted and the stock issued by the company, Mansfield and Blackwell donate to the company 500 shares of the preferred stock.

The assets and liabilities acquired are booked by the company as follows: Land and buildings, $225,000; machinery and tools, $150,000; furniture and fixtures, $15,000; accounts receivable, $125,000; notes receivable, $40,000; patents, $25,000; mortgage payable, $100,000; accounts payable, $20,000; notes payable, $10,000.

For the purpose of refunding the mortgage, the company authorized an issue of bonds to the extent of $125,000, of which a par of $50,000 was sold at 95 and a further par of $50,000 at 110. The life of the bonds was 10 years, and with the proceeds of sale the mortgage was retired.

A firm of bankers, Simpson and Guthrie, agreed to underwrite 1,000 shares of the preferred stock at 90, provided a bonus of 10% in preferred stock was allotted to them, and advanced on account of the contract $50,000 in cash. *The preferred stock used for bonus purposes was taken from that donated. The balance of the donated stock was sold at 80.

The operating transactions for the six months ended December 31, 1910, were as follows: Income from sales, $100,000; cost of sales, $60,00 (composed as follows—purchases, $55,000, less inventory, December 31, 1910, $15,000; wages paid, $14,000; manufacturing overhead, $5,000 paid, $1,000 accrued); selling expense, $6,000 paid, $2,000 accrued; administrative expense, $11,000 paid, $1,000 accrued; other income, $2,000; deductions from income, $7,000.

On December 31, 1910, the balance of the accounts receivable was $138,000 and the balance of the accounts payable, $10,000. Spread the organization expense over a period of two years. Provide for the premium on bonds sold.

Prepare:

The Ironton Manufacturing Company.

(a) General balance sheet, December 31, 1910.

(b) Statement of income and profit and loss, six months ended December 31, 1910.

Mansfield and Blackwell.

Skeleton ledger accounts showing co-partnership dissolution.

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## PROBLEM 74

1. (a) A corporation issued $300,000 of first mortgage 20-year bonds under an agreement to set aside annually 1/20 of the face of the bonds in a special fund out of which they could be paid at maturity. The agreement contained no other provisions relative to the security or payment of the bonds.

Show annual entry and entry when bonds are paid.

(b) Suppose that in the above case an additional agreement provided that a reserve be set up out of profits, annually equal to 1/20 of the face of the bonds. What additional annual and final entries should be made?

*The bankers subsequently accounted for the sale of the stock, but did not pay over the balance due.

2. (a) The A. B. corporation issues $50,000 of bonds at 85. Bonds run 20 years. Journalize.
   (b) $2,500 is set aside each year in conformity to the sinking fund provision for the bonds referred to in (a). Show annual journal entry.
   (c) Show entry to be made when the bonds are paid.
   (d) Show the annual journal entry necessary to set up a Reserve for Sinking Fund account.

3. A company issues bonds par value $100.00 under an agreement to set aside in a special fund annually 1/10 of the par value and also to charge Profit and Loss with a similar amount.

Show annual journal entries.

What entries should be made at the end of the tenth year upon payment of the bonds?

4. The Exeter Co. issued $100,000 par value of first mortgage 6% bonds at 90. Later bonds of par value of $10,000 were purchased by the corporation at 110. Show the journal entries.

5. The Bristol Manufacturing Company issued and sold on January 1, 1921, 100 first mortgage bonds of $500 each, bearing interest at 4 per cent. per annum, and received $48,000 in cash.

What record of the transactions should be made, and in what books?

## PROBLEM 75

The following is a trial balance of The Cotton Seed Oil Company, September 30, 1912, after closing:

Land and buildings, $1,275,946.27; equipment, $348,727.43; horses, wagons and motor trucks, $12,872.51; furniture and fixtures, $15,269.50; investments, $200,000; materials and supplies, $65,138.79; goods in process, $25,591.46; finished goods, $45,468.71; cash, $68,649.52; accounts receivable, $125,279.34; notes receivable and interest, $41,286.39; sinking fund for redemption of first mortgage bonds, $207,667.95; first mortgage bonds purchased out of sinking fund (at an average price of 102½), $89,175; deferred charges to expense, $12,813.97; first mortgage bonds payable, $300,000 (dated October 1, 1892, due October 1, 1912, interest 6%, payable April 1 and October 1, last paid April 1, 1912); taxes accrued, $14,025; salaries and wages accrued, $18,927.34; accounts payable, $87,316.75; notes payable and interest, $51,487.63; interest accrued on first mortgage bonds, $9,000; reserve for depreciation of plant and equipment, $142,305.12; reserve for sinking fund, $210,825; preferred capital stock issued and outstanding, $1,000,000; common capital stock issued and outstanding, $500,000; profit and loss surplus, $200,000.

The sinking fund has been accumulated by a semi-annual deposit scientifically calculated and the reserve for the sinking fund has been created out of profits. The entry affecting the reserve for the six months ended September 30, 1912, has been made but the final sinking fund deposit has not been made. The bonds were taken up and cancelled as of October 1, 1912.

The company issues as of October 1, 1912, a new series of 300 ten-year gold bonds, which bear interest at 5%; have a sinking fund provision and the reserve for the sinking fund is to be created out of profits as before. Sinking fund deposits are to be made quarterly instead of semi-annually. The amount deposited December 31, 1912, was $6,136.68. The interest allowed

on the deposit by the sinking fund depository to March 31, 1913, was $61.36. The amount deposited March 31, 1913, was $6,136.68.

Prepare:

(a) Journal entries and skeleton ledger accounts affecting the two issues of bonds.

(b) Balance sheet, March 31, 1913.

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## PROBLEM 76

1. What are the usual sinking fund provisions to be found in a trust deed securing an issue of bonds of a corporation? Sketch in journal entry form, with proper descriptions, the entries you would expect to find in the accounts of a company relative thereto.

2. A company issues $200,000 of 5% ten-year bonds, which they sell for $210,000. The bond recital provides that each year one-tenth of the issue should be reserved from current profits and accumulated until the maturity of the bonds. The recital also provides that a similar amount should be accumulated in a sinking fund.

The following entries are required:

(a) The issuance of the bonds.
(b) The annual reservation of profits.
(c) The annual cash contribution to the fund.
(d) The payment of the bonds at maturity.
(e) The disposition of the reserve.

3. The Albany Furniture Company placed $100,000 of its undivided earnings in the hands of a broker to invest in United States 5% bonds. The bonds were for $1,000 each and cost 101⅜, commission ⅛. Prepare detailed entries to record properly the transaction on the company's books.

## PROBLEM 77

A company is under obligations to pay $10,000 annually to sinking fund trustees "out of surplus." The following transactions take place:

December 31, 1914, $10,000 cash paid to sinking fund trustees.

January 5, 1915, trustees invest in $10,00 of the 5% bonds of the company at 98 and interest (from January 1).

July 1, 1915, coupons on above bonds collected.

December 31, 1915, $10,000 paid to sinking fund trustees.

January 1, 1916, coupons collected.

January 2, 1916, $11,000 bonds bought for sinking fund at 95.

July 1, 1916 coupons collected.

December 31, 1916, $125 paid for expenses of sinking fund.

December 31, 1916, $10,000 paid to sinking fund trustees.

January 1, 1917, coupons collected.

January 10, 1917, $10,000 bonds bought at 101 and interest.

Give the journal entries on the company's books for the above transactions, disregarding any amortization of premium and discount.

(Adapted from Institute Examination, June, 1917.)

## PROBLEM 78

A club issues $25,000.00 5% bonds, par value $100.00 each, dated January 1, 1920, for the purposes of improvements. The Club dues are $100.00 per annum, payable in advance, of which the sum of $75.00 per annum is credited to the general income of the Club and $25.00 handed by the treasurer to the sinking fund trustees, from which will be paid (1) bond interest, (2) expenses of trustees, (3) the balance to be used by trustees to purchase bonds which are thereupon cancelled. The Club has 350 members, of whom 325 pay their dues in full and others are considered very doubtful.

The trustees hand the treasurer a statement as of December 31, 1920, showing that of the money received from him (1) all bond interest due has been paid to date, (2) fees, postage and clerical expenses have been paid, amounting to $250.00, and (3) that bonds have been retired on December 31, leaving a balance in their hands of less than $100.00.

Give in journal form entries which should appear on the treasurer's books, the treasurer also to show the transactions of the trustees on his books for purpose of record. Give also all entries which should appear on the trustee's books.

## PROBLEM 79

Classify and group the following accounts of J. L. Hubbard, a manufacturer, according to kind of asset, liability, proprietary interest, income and expenditure:

Accounts Payable
Accounts Receivable
Accrued Salaries and Wages
Advertising
Notes Payable
Notes Receivable
Cash
Credit Department Expenses
Depreciation of Buildings, Machinery and Equipment
Directors' Fees
Discounts on Purchases
Discounts on Sales
Factory Labor
Federal Income Tax
Freight and Cartage Inward
Freight and Cartage Outward
General Office Expenses
Good Will
J. L. Hubbard, Investment
P. L. Hubbard, Drawing
Insurance Premiums Unexpired
Interest on Notes Payable
Income from Investments
Inventory, Raw Materials
Inventory, Goods in Process
Inventory, Manufactured Goods
Investments, Outside
Maintenance, Buildings, Machinery and Equipment
Manufacturing Power, Heat and Light
Miscellaneous Factory Expenses
Miscellaneous Selling Expenses
Office Equipment
Office Salaries
Patent Rights
Patterns and Drawings
Plant Site
Plant Buildings

Plant Machinery and Equipment
Purchasing Department Expense
Raw Materials Purchased
Reserve for Depreciation of Buildings, Machinery and Equipment
Sales of Manufactured Goods
Sales of Waste Materials
Sales Agent's Commissions
Salesmen's Salaries
Salesmen's Expenses
Taxes on Buildings and Equipment
Taxes Accrued

## PROBLEM 80

The following accounts are taken from the books of Roberts & Saunders, manufacturers. Classify and group them according to kind of asset, liability, proprietary interest, income and expenditure:

Inventory of Finished Goods
Inventory of Raw Materials
Purchases of Raw Materials
Sales
Wages
Rent Received
Discounts on Purchases
Discounts on Sales
Factory Power, Light and Heat
Light and Heat for Office
Repairs to Machinery
Packing and Shipping Supplies Used
Factory Expense
General Office Expense
Factory Insurance
Insurance on Finished Goods
Machinery
Real Estate
Building and Fixtures
Tools
Commission Paid
Office Salaries
Salesmen's Salaries
Interest Paid
Discount Lost on Notes Discounted
Notes Receivable
Notes Receivable Discounted
Notes Payable
Accounts Receivable
Accounts Payable
Office Furniture and Furnishings
Automobile Trucks
Cash on Hand
Cash on Deposit
Roberts, Investment
Roberts, Drawing
S. W. Saunders, Investment
S. W. Saunders, Drawing
Reserve for Depreciation of Machinery
Reserve for Depreciation of Automobile Trucks
Reserve for Depreciation on Buildings and Fixtures
Freight and Cartage Inward
Postage
Superintendence
Taxes
Good Will
Stationery and Printing
Advertising
Depreciation

## PROBLEM 81

As a test of your knowledge of accounting, the proprietor of a manufacturing firm, to whom you apply for a position, gives you the following list of accounts with the request that you arrange them in a revenue statement in due form. Use no figures in your solution:

Accountant's Fees
Advertising
Bonding of Office Employes
Collection and Exchange
Delivery Car Repairs
Depreciation, Factory Equipment
Depreciation, Office Equipment
Depreciation, Sales Department Furniture
Discount Lost on Notes Receivable Discounted
Discounts on Purchases
Discounts on Sales
Dividends on Outside Investments
Employer's Liability Premium
Factory Light, Heat and Power
Factory Wages
Freight and Cartage Inward
Freight Outward
Insurance
Interest Paid
Interest Received
Inventory, Raw Materials
- (a) Beginning of Period
- (b) End of Period

Inventory, Goods in Process
- (a) Beginning of Period
- (b) End of Period

Inventory, Finished Goods
- (a) Beginning of Period
- (b) End of Period

Office Heat and Light
Office Salaries
Packing and Shipping Expenses
Postage
Purchasing Department Expense
Raw Materials Purchased
Repairs to Factory
Salesmen's Salaries
Sales Department Heat and Light
Stationery and Printing
Sales of Finished Goods
Property Taxes
Telephone and Telegraph
Trade Association Dues
Trade Publication Subscriptions
Traveling Expenses

## PROBLEM 82

### (Adapted from North Carolina Examination, 1919)

Assuming that these are the principal divisions of the expense accounts of a manufacturing business selling the product through traveling salesmen to the retail trade:

- (a) Manufacturing Expenses Division
- (b) Selling Expenses Division
- (c) Administration and General Expenses Division
- (d) Financial Income and Expenses Division

Designate in what division you would classify each of following accounts by giving the number of account and the letter indicating division opposite:

1. Materials and Supplies Consumed
2. Interest on Loans Paid
3. Interest on Bonds Paid
4. Postage for Correspondence
5. Postage for Parcel Post
6. Domestic Taxes
7. Street Assessments for Street Improvements
8. Federal Income Taxes
9. Discounts Received on Purchases
10. Discounts Given on Sales
11. Discounts Allowed for Prompt Payment of Accounts Receivable
12. Exchange on Checks
13. Revenue Stamps
14. Bonus to Traveling Salesmen
15. Bonus to Office Force
16. Bonus to Factory Operatives
17. Bonus to Superintendent of Factory
18. Fire Insurance Premiums on Factory
19. Fire Insurance Premiums on Office
20. Fire Insurance Premiums on Warehouses
21. Liability Insurance Premiums
22. Life Insurance Premiums on Factory Operatives' Lives
23. Credit Insurance Premiums
24. Tornado Insurance Premiums
25. Freight Prepaid on Shipments
26. Claims Allowed on Sales Made
27. Rent of Factory
28. Rent of Office
29. Traveling Expenses of Superintendent to Secure Operatives
30. Traveling Expenses of Buyer
31. Expenses of Law Suits for Collecting Account
32. Law Suit Expenses Defending Suit Brought by Employe for Damages
33. Expense of Welfare Work
34. Corporation Tax
35. Amortization of Discount on Bonds Issued
36. Donations to Employes
37. Donations to Other Than Employes
38. Freights on Purchases
39. Claims Allowed on Merchandise Purchased

## PROBLEM 83

1. State how the following accounts would appear in the financial statement of a corporation:

(a) Dividends Declared.
(b) Dividends Payable.
(c) Notes Receivable Discounted.
(d) Treasury Stock.
(e) Reserve for the Redemption of Bonds.
(f) Reserve for Bad Debts.
(f) Authorized Bond issue of $2,500,000.00, of which there has been certified by the Trustee and issued $1,000,000.00, namely:

| | |
|---|---|
| 1. In hands of the public | $600,000.00 |
| 2. Pledged as collateral to secure Company's Notes Payable | 250,000.00 |
| 3. In the custody of the treasurer | 150,000.00 |

2. An electric light and power company has completed and is operating about one-third of its plant and is engaged in constructing and equipping the remainder.

Under these conditions how should the following expenditures be treated:

1. Interest on Bonds
2. Officers' Salaries
3. Premium on Bonds
4. Organization Expenses
5. Labor for Extending Transmission Lines
6. Additional Equipment of Power House (Mass., 1915).

## PROBLEM 84

From the following trial balance of the Peterson Mfg. Co., on May 31, 1919, prepare operating and financial statements:

| | | |
|---|---|---|
| Cash | $ 5,000.00 | |
| Accounts Receivable | 17,952.00 | |
| Reserve for Bad Debts | | 1,600.00 |
| Inventory, Finished Goods, May 1 | 6,000.00 | |
| Inventory, Goods in Process, May 1 | 10,000.00 | |
| Inventory, Raw Material, May 1 | 20,000.00 | |
| Factory Equipment | 62,400.00 | |
| Reserve for Depreciation for Factory Equipment | | 9,000.00 |
| Office Equipment | 2,880.00 | |
| Reserve for Depreciation for Office Equipment | | 288.00 |
| Unexpired Insurance | 1,500.00 | |
| Accounts Payable | | 8,052.00 |
| Accrued Taxes | | 200.00 |
| Capital Stock | | 100,000.00 |
| Sales | | 40,000.00 |
| Merchandise Discount on Purchases | | 230.00 |
| Raw Material Purchases | 10,000.00 | |
| Factory Labor | 18,000.00 | |
| Factory Rent | 200.00 | |
| Factory Power, Heat and Light | 1,340.00 | |
| Sundry Factory Expenses | 90.00 | |
| Repairs to Factory Equipment | 170,00 | |
| Salesmen's Expenses | 600.00 | |
| Advertising | 700.00 | |
| Sundry Sales Department Expense | 300.00 | |
| Office Salaries | 400.00 | |
| Office Supplies | 28.00 | |
| Office Heat and Light | 20.00 | |
| Sundry Office Expense | 30.00 | |
| Merchandise Discount on Sales | 260.00 | |
| Salesmen's Salaries | 1,500.00 | |
| | $159,370.00 | $159,370.00 |

Notations:

Estimated taxes for the month, $50.00.
Insurance for the month, $60.00.
Reserve 1% of sales for bad debts.
Depreciation on factory equipment, 10% per year.
Depreciation on office equipment, 5% per year.

| | |
|---|---|
| Inventory of Finished Goods, May 31 | $ 6,500.00 |
| Inventory of Goods in Process, May 31 | 10,500.00 |
| Inventory of Raw Material, May 31 | 18,000.00 |

## PROBLEM 85

A trial balance of the general ledger of the John Ball Co., on December 31, 19—, is as follows:

| | |
|---|---|
| Cash | $ 15,185.00 |
| Notes Receivable | 10,130.00 |
| Accounts Receivable | 112,495.00 |
| Securities Owned | 50,000.00 |

| | | |
|---|---|---|
| Inventories, January 1— | | |
| Finished Goods | 25,000.00 | |
| Goods in Process | 50,000.00 | |
| Raw Material | 100,525.00 | |
| Raw Material Purchases | 381,420.00 | |
| Real Estate | 5,875.00 | |
| Buildings | 150,000.00 | |
| Reserve for Depreciation and Buildings | | $ 25,000.00 |
| Factory Equipment | 650,000.00 | |
| Reserve for Depreciation, Factory Equipment | | 12,000.00 |
| Auto Trucks | 10,000.00 | |
| Reserve for Depreciation, Auto Trucks | | 2,000.00 |
| Office Equipment | 12,000.00 | |
| Reserve for Depreciation, Office Equipment | | 1,200.00 |
| Unexpired Insurance | 5,000.00 | |
| Notes Payable | | 25,000.00 |
| Accounts Payable | | 65,000.00 |
| Bonds Payable | | 100,000.00 |
| Preferred Capital Stock | | 150,000.00 |
| Common Capital Stock | | 300,000.00 |
| Surplus | | 301,640.00 |
| Sales | | 950,000.00 |
| Interest Earned | | 1,500.00 |
| Income from Securities | | 2,500.00 |
| Merchandise Discount on Purchases | | 12,000.00 |
| Factory Labor | 295,000.00 | |
| Factory Power Heat and Light | 8,000.00 | |
| Repairs to Equipment | 4,000.00 | |
| Sundry Factory Expense | 900.00 | |
| Salesmen's Salaries | 25,110.00 | |
| Salesmen's Expenses | 9,500.00 | |
| Advertising | 9,000.00 | |
| Sundry Sales Expense | 2,000.00 | |
| Office Salaries | 5,000.00 | |
| Office Supplies | 725.00 | |
| Office Heat and Light | 820.00 | |
| Sundry Office Expense | 585.00 | |
| Merchandise Discount on Sales | 4,850.00 | |
| Interest Paid | 4,000.00 | |
| Collection and Exchange | 720.00 | |
| | $1,947,840.00 | $1,947,840.00 |

Notations:

Reserve for Bad Debts, 1% of Sales.

Depreciation Rates: 2% on Building; 10% on Factory Equipment; 20% on Auto Trucks; 10% on Office Equipment.

Accrued Labor, $5,000.00

Insurance for the year, $3,000.00.

Inventories, December 31—

Finished Goods, $35,000.00.

Goods in Process, $45,000.00.

Raw Materials, $125,000.00.

From the above prepare an operating statement and a financial statement.

## PROBLEM 86

The following is the Trial Balance of the Victory Manufacturing Company on December 31, 19—:

(a) From it prepare the revenue accounts, the operating statement and the financial statement.

(b) Give the journal entries necessary to record the declaration of an 8% dividend on preferred stock and a 10% dividend on common stock.

| | | |
|---|---|---|
| Cash | $ 25,000.00 | |
| Notes Receivable | 5,000.00 | |
| Accounts Receivable | 50,000.00 | |
| Liberty Bonds | 10,000.00 | |
| Inventories, January 1— | | |
| Raw Materials | 70,000.00 | |
| Goods in Process | 10,000.00 | |
| Finished Goods | 20,000.00 | |
| Real Estate | 4,000.00 | |
| Buildings | 40,000.00 | |
| Factory Equipment | 78,000.00 | |
| Office Equipment | 5,000.00 | |
| Unexpired Insurance | 3,000.00 | |
| Notes Payable | | $ 50,000.00 |
| Accounts Payable | | 25,000.00 |
| Preferred Capital Stock | | 50,000.00 |
| Common Capital Stock | | 175,000.00 |
| Deficit | 139,425.00 | |
| Sales | | 1,000,000.00 |
| Merchandise Discount on Purchases | | 6,500.00 |
| Interest Earned on Notes Rec. | | 200.00 |
| Interest Earned on Liberty Bonds | | 400.00 |
| Raw Materials Purchased | 380,000.00 | |
| Labor | 325,000.00 | |
| Power | 20,000.00 | |
| Factory Heat and Light | 3,500.00 | |
| Repairs to Machinery | 1,300.00 | |
| Sundry Factory Expense | 3,000.00 | |
| Salesmen's Salary | 40,000.00 | |
| Salesmen's Expenses | 20,000.00 | |
| Freight Out | 10,000.00 | |
| Advertising | 8,000.00 | |
| Sundry Sales Department Expense | 1,625.00 | |
| Office Salaries | 6,000.00 | |
| Officers' Salaries | 15,000.00 | |
| Postage | 2,000.00 | |
| Telephone and Telegrams | 1,800.00 | |
| Heat and Light | 500.00 | |
| Sundry Office Expense | 250.00 | |
| Merchandise Discount on Sales | 4,000.00 | |
| Interest Paid | 5,000.00 | |
| Collection and Exchange | 700.00 | |
| | $1,307,100.00 | $1,307,100.00 |

Notations:

| | |
|---|---|
| Estimated Taxes for the year | $ 2,000.00 |
| Insurance for the Year | 1,500.00 |
| Depreciation on Buildings, 2% per year. | |
| Depreciation on Factory Equipment, 10% per year. | |
| Depreciation on Office Equipment, 5% per year. | |
| Reserve for Bad Debts, ½% of Sales. | |
| Accrued Labor | 1,500.00 |
| Inventories, December 31— | |
| Raw Materials | 90,000.00 |
| Goods in Process | 15,000.00 |
| Finished Goods | 18,000.00 |

## PROBLEM 87

The following is a trial balance of the General Ledger of Green & Company, December 31, 1920, before closing:

| | | |
|---|---|---|
| Inventory Jan. 1, 1920 | $ 260,000.00 | |
| Sales | | $1,240,694.14 |
| Cash in Bank | 75,120.00 | |
| Petty Cash | 14.00 | |
| Purchases | 824,639.00 | |

| | | | |
|---|---|---|---|
| Returned Purchases | | | 5,316.48 |
| Rent from Offices | | | 2,444.00 |
| Taxes | | 1,460.00 | |
| Wages | | 164,394.69 | |
| Unexpired Insurance | | 3,000.00 | |
| Accounts Receivable | | 424,627.50 | |
| Accounts Payable | | | 90,642.38 |
| Notes Receivable | | 11,643.00 | |
| Notes Payable | | | 20,000.00 |
| Notes Receivable Discounted | | | 1,050.00 |
| Furniture and Furnishings | | 28,750.00 | |
| Office Salaries | | 9,725.45 | |
| Officers' Salaries | | 4,624.00 | |
| Sundry Office Expense | | 12,000.00 | |
| 2,000 shares in "R. C." Company (at cost) | | 200,000.00 | |
| Capital Stock | | | 550,000.00 |
| Surplus | | | 118,992.10 |
| Dividends on Investments | | | 12,000.00 |
| Fuel on Hand | | 938.00 | |
| Interest Paid | | 125.00 | |
| Returned Sales | | 478.46 | |
| Goods on Consignments at selling price | $18,000.00 | | |
| Freight, Insurance and Expenses on same | 1,600.00 | 19,600.00 | |
| | | $2,041,139.10 | $2,041,139.10 |

Notations:
Reserve 2% of Sales for Bad Debts.
Insurance for the year, $1,000.00.

Inventories:

| | |
|---|---|
| Fuel | $ 160.00 |
| Merchandise | 15,621.84 |
| Accrued Wages | 30,264.00 |
| Accrued Salaries | 1,694.00 |

(a) Adjusting Entries.
(b) Closing Entries.
(c) Operating Statement.
(d) Financial Statement.

## PROBLEM 88

From the following trial balance of the Richards Manufacturing Company prepare a financial and an operating statement:

| | | |
|---|---|---|
| Accounts Payable | | $ 16,000.00 |
| Accounts Receivable | $ 40,000.00 | |
| Advertising | 2,500.00 | |
| Accrued Interest on Notes Payable | | 400.00 |
| Accrued Taxes | | 600.00 |
| Bad Debts | 600.00 | |
| Capital Stock, Preferred | | 50,000.00 |
| Capital Stock, Common | | 50,000.00 |
| Cash | 14,000.00 | |
| Discount on Sales | 780.00 | |
| Depreciation on Equipment | 1,200.00 | |
| Discount on Purchases | | 468.00 |
| Electricity | 1,468.00 | |
| Freight on Purchases | 900.00 | |
| Factory Supplies and Expenses | 1,385.00 | |
| Income on Bond Investment | | 1,000.00 |
| Interest Paid | 600.00 | |
| Insurance | 1,400.00 | |
| Inventory December 31, 1919 | 52,000.00 | |
| Investment in Bonds | 16,000.00 | |
| Notes Payable | | 17,500.00 |

| | | |
|---|---|---|
| Office Supplies, Used | 900.00 | |
| Office Supplies, Unused | 1,700.00 | |
| Office Expenses | 600.00 | |
| Out Freight | 320.00 | |
| Prepaid Advertising | 5,000.00 | |
| Purchases | 116,000.00 | |
| Plant and Equipment | 50,000.00 | |
| Rent from Offices | | 600.00 |
| Reserve for Depreciation, Plant and Equipment | | 7,900.00 |
| Reserve for Bad Debts | | 6,700.00 |
| Returned Sales | | 389.00 |
| Salaries—Office and Officers | 10,780.00 | |
| Salaries—Salesmen | 1,780.00 | |
| Salary—Superintendent | 15,000.00 | |
| Sales | | 170,500.00 |
| Salesmen Expenses | 2,700.00 | |
| Sales of Waste | | 1,300.00 |
| Surplus | | 32,856.00 |
| Taxes | 600.00 | |
| Unexpired Insurance | 3,000.00 | |
| Wages in Factory | 15,000.00 | |
| | $356,213.00 | $356,213.00 |

Inventory December 31, 1920, $54,100.

Note that all adjusting entries have been made.

## PROBLEM 89

The following trial balance was taken from the books of the Roe and Doe Company on December 31, 1920:

| | | |
|---|---|---|
| Cash on Hand | $ 100.00 | |
| Cash in Bank | 3,000.00 | |
| Sales | | $1,150,000.00 |
| Discounts on Purchases | | 20,000.00 |
| Interest on Notes Receivable | | 1,000.00 |
| Accounts Receivable | 150,000.00 | |
| Notes Receivable | 10,000.00 | |
| Capital Stock | | 200,000.00 |
| Real Estate | 50,000.00 | |
| Buildings | 200,000.00 | |
| Equipment | 50,000.00 | |
| Horses, Wagons and Harness | 5,000.00 | |
| Motor Trucks | 5,000.00 | |
| Prepaid Insurance | 2,000.00 | |
| Prepaid Taxes | 5,000.00 | |
| Purchases | 900,000.00 | |
| Discount on Sales—Cash | 20,000.00 | |
| Wages of Men in Warehouse | 25,000.00 | |
| Salaries of Department Managers | 10,000.00 | |
| Salaries of Office Assistants | 5,000.00 | |
| Drivers, Teamsters, Etc. | 5,000.00 | |
| Horse Feed | 2,000.00 | |
| Auto Expense | 1,500.00 | |
| Inventories, Jan. 1, 1920, Merchandise | 300,000.00 | |
| Inventory, Jan. 1, 1920, Horse Feed | 3,000.00 | |
| Inventory, Office Supplies, as of Jan. 1, 1921 | 2,000.00 | |
| Office Supplies | 3,000.00 | |
| Advertising | 50,000.00 | |
| Salesmen's Salaries | 20,000.00 | |
| Salesmen's Commissions | 11,000.00 | |
| Interest on Notes Payable | 10,000.00 | |
| Dividend on Capital Stock—6% | 12,000.00 | |
| Notes Payable | | 250,000.00 |
| Accounts Payable | | 150,000.00 |
| Real Estate—not used in business | 150,000.00 | |

| | | |
|---|---|---|
| Investment in Union Hotel Co. at cost........ | 50,000.00 | |
| Sprinkler System, at face of Contract......... | 10,000.00 | |
| Surplus .................................. | | 290,600.00 |
| Liability on Sprinkler System................ | | 8,000.00 |
| | $2,069,600.00 | $2,069,600.00 |

## PROBLEM 90

On November 31, 1920, a company authorized the issue of $300,000.00 cumulative 7% Preferred Stock and sold same to the Grand Investment Company at 90%, giving also a bonus of $30,000.00 common stock. $70,000.00 common stock was sold to the present stockholders at par, the total issue of common stock being $300,000.00. Of the proceeds of these sales $150,000.00 was to be expended on new buildings, the balance to be retained for working capital.

On January 2, 1921, a dividend of $40,000.00 was declared, payable on January 15, 1921.

The inventories at December 31, 1920 were:

| | |
|---|---|
| Merchandise ............................................. | $325,000.00 |
| Horse Feed ............................................. | 1,000.00 |
| Office Supplies ......................................... | 1,500.00 |

Of the insurance paid $500.00 applies to the year 1920 and also $1,500.00 of the taxes.

The sprinkler system was installed on July 1, 1920. Of the contract price $2,000.00 was paid on that date and $2,000.00 is payable on each date August 1, 1921, 1922, 1923 and 1924.

$2,000.00 of interest on notes payable applies to the period subsequent to January 1, 1921.

The depreciation on buildings for the year is $10,000.00 and on equipment $5,000.00. The real estate not used in business has appreciated $50,000.00, while that used in business has been appraised at $75,000.00. Depreciation on motor trucks is 25%; depreciation on wagons, harness is 15%. Set up a reserve of ½ of 1% on sales, for bad debts. Prepare adjusting and closing entries.

From the foregoing trial balance and data, prepare an operating statement for the year and a financial statement as of December 31, 1920.

## PROBLEM 91

On December 31, 19—, you are given the following facts of the firm of Smith and Jones:

The plant now in use cost to build $60,400. The Reserve for Depreciation account shows $8,992. There is a 6% Mortgage for $20,000 on the plant. Notes Receivable are held to the amount of $10,000 and $25,000 of notes have been discounted at the bank but are not due yet. Accounts Receivable from customers stand at $15,000. A reserve for Bad Debts account shows $500. An employee owes the firm $3,000 on personal account. Deferred asset accounts total $1,600, of which $600 is for insurance. Accounts Payable show $4,200 and Notes Payable, $5,000. The interest on the Notes Payable is paid to date. 50 shares of stock in the Globe Milling Company is held by the firm. It cost $3,800. The inventory of merchandise showed $16,000. Cash on hand amounts to $200 and in the bank $4,800. Each partner furnished

$35,000 to the partnership business. Smith's drawing account shows a debit of $6,508 and Jones' $2,384.

Sales for the year amounted to $140,000; Purchases, $100,000. Operating Expenses amounted to $25,000.

From these facts arrange a trial balance. Adjustments are to be made from the following facts:

1. 2% on the plant is charged annually to depreciation.
2. Interest on the mortgage is due for the past 3 months. Place the amount in an accrual account.
3. The insurance that expired during the previous period amounted to $300.
4. Merchandise on hand is inventoried at $20,000.

Show the adjusting and closing entries and prepare operating and financial statements.

(Adapted from Institute Examination, June, 1917)

## PROBLEM 92

The following is a total balance of the general ledger of Frederick H. Rowan, June 30, 1912, before closing:

| Debits | |
|---|---|
| Labor | $ 136,250.00 |
| Insurance | 2,720.00 |
| Commissions to Salesmen | 4,986.00 |
| Land, Buildings and Equipment | 638,576.00 |
| Auto Trucks | 20,000.00 |
| Sales Returns | 2,117.00 |
| Advertising | 20,162.00 |
| Interest on Notes Payable | 327.00 |
| Bad Debts Written Off | 1,000.00 |
| Insurance Unexpired | 428.00 |
| Machinery and Tools | 395,000.00 |
| Cash | 45,247.00 |
| Trade Discount on Sales | 4,927.00 |
| Outward Freight | 3,159.00 |
| Interest on B. & M. Payable | 7,500.00 |
| Factory Expense | 9,276.00 |
| Manufacturing Supplies | 784.00 |
| Salaries of Clerks—N. Y. | 5,432.00 |
| Furniture and Fixtures | 17,000.00 |
| Finished Goods—Inventory 12/31/11 | 48,694.00 |
| Advertising Unexpired | 4,027.00 |
| Goods in Process—Inventory 12/31/11 | 88,847.00 |
| Gross Purchases | 250,862.00 |
| Traveling Expense—Salesmen | 7,877.00 |
| General Expense—N. Y. | 4,285.00 |
| Taxes | 3,874.00 |
| Salaries of Salesmen | 17,926.00 |
| Materials and Supplies, Inv. 12/31/11 | 139,987.00 |
| Notes Receivable | 45,000.00 |
| Sales Allowances | 2,544.00 |
| Office Expense—N. Y. | 1,621.00 |
| Cash Discount on Sales | 3,988.00 |
| Accounts Receivable | 177,928.00 |
| Superintendence | 8,000.00 |
| Repairs to Machinery | 125.00 |
| Heat, Light and Power—Factory | 1,425.00 |
| Office Salaries, Factory | 2,754.00 |
| Total Debits | $2,124,655.00 |

**Credits**

| | |
|---|---|
| Purchase Allowances | $ 251.00 |
| Gross Sales | 637,982.00 |
| Reserve for Depreciation of Buildings and Equipment | 274,175.00 |
| Interest Accrued on Bond and Mortgage Payable | 3,250.00 |
| Frederick H. Rowan, Capital | 733,133.00 |
| Cash Discount on Purchases | 7,426.00 |
| Bond and Mortgage Payable | 300,000.00 |
| Purchase Returns | 578.00 |
| Rent of Factory Sheds | 386.00 |
| Taxes Accrued | 3,874.00 |
| Interest Accrued on Notes Payable | 2,572.00 |
| Accounts Payable | 87,498.00 |
| Trade Discount on Purchases | 7,427.00 |
| Interest on Bank Balances | 487.00 |
| Wages Accrued | 375.00 |
| Notes Payable | 65,000.00 |
| Interest on Notes Receivable | 241.00 |
| Total Credits | $2,124.655.00 |

The inventories June 30, 1912, were: Materials and supplies, $145,782; goods in process, $64,927; finished goods, $68,928.

As of January 1, 1912, Rowan took into partnership, J. T. Bergen, giving him an interest of $300,000. Bergen paid in as of January 1, $200,000, which was immediately drawn out by Rowan. According to the agreement, the buildings, machinery and tools were to be depreciated at the rate of 10% per annum, beginning with the date of the co-partnership. The partners were to be credited with interest on their respective investments or charged with interest on the deficiency at the rate of 6%. No adjustments for capital, depreciation or interest have been made on the books. Land, $70,000.

From the foregoing prepare:

(a) General balance sheet, June 30, 1912.

(b) Statement of income and profit and loss for the six months ended June 30, 1912.

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## PROBLEM 93

A trial balance of the general ledger of the Northwestern Manufacturing Company on December 31, 19—, is as follows:

| | | |
|---|---|---|
| Cash | $ 48,269.48 | |
| Notes Receivable | 3,450.32 | |
| Accounts Receivable | 215,000.00 | |
| Reserve for Bad Debts | | $ 13,160.00 |
| Inventories, January 1, 19— | | |
| Finished Goods | 38,924.00 | |
| Goods in Process | 52,680.00 | |
| Raw Material | 29,729.30 | |
| Real Estate | 30,000.00 | |
| Buildings | 54,750.00 | |
| Reserve for Depreciation on Buildings | | 3,246.80 |
| Machinery | 42,370.00 | |
| Reserve for Depreciation on Machinery | | 7,692.41 |
| Furniture and Furnishings | 6,120.00 | |
| Reserve for Depreciation on Furniture and Furnishings | | 1,240.16 |
| Tools | 7,500.18 | |
| Patent Rights | 26,700.00 | |
| Unexpired Insurance | 4,500.00 | |
| Notes Payable | | 115,040.00 |
| Accounts Payable | | 42,600.18 |

| | | |
|---|---|---|
| Notes Receivable Discounted | | 1,000.00 |
| Capital Stock | | 221,000.00 |
| Surplus | | 40,260.00 |
| Sales | | 1,016,924.78 |
| Returned Sales | 629.00 | |
| Interest Earned | | 432.10 |
| Raw Material Purchases | 426,620.48 | |
| Productive Labor | 316,294.80 | |
| Unproductive Labor | 28,469.32 | |
| Heat, Light and Power | 22,468.00 | |
| Repairs to Buildings | 724.68 | |
| Repairs to Machinery | 1,450.72 | |
| Factory Expense | 4,297.62 | |
| Taxes | 1,600.00 | |
| Traveling Salesmen's Expenses | 18,624.00 | |
| Salesmen's Salaries | 41,250.00 | |
| Bad Debts | 8,416.00 | |
| Office Salaries | 19,270.65 | |
| Officers' Salaries | 4,728.40 | |
| Postage | 2,560.00 | |
| Telephone and Telegrams | 1,713.68 | |
| Stationery and Printing | 3,060.16 | |
| Interest Paid | 425.64 | |
| | $1,462,596.43 | $1,462,596.43 |

Notations:

Reserve for Bad Debts 1% of Sales.

Depreciation Rates: 2% on Buildings; 8% on Machinery; 10% on Furniture and Furnishings.

| | |
|---|---|
| Accrued Labor | $14,216.40 |
| Accrued Salaries | 1,489.66 |
| Insurance for the period | 1,500.00 |

Inventories: December 31, 19—

| | |
|---|---|
| Raw Material | $31,692.41 |
| Goods in Process | 55,328.86 |
| Finished Goods | 42,690.14 |
| Tools | 7,250.32 |

(a) Prepare adjusting and closing journal entries.
(b) Operating Statement.
(c) Financial Statement.

## PROBLEM 94

### (Michigan, 1915)

ACME MANUFACTURING COMPANY,
TRIAL BALANCE, DECEMBER 31, 1914

| | | |
|---|---|---|
| Cash on Hand and in Bank | $ 5,000.00 | |
| Notes Receivable | 7,500.00 | |
| Accounts Receivable | 30,500.00 | |
| Inventory January 1, 1914 | 115,000.00 | |
| Materials Purchased | 285,000.00 | |
| Productive Labor, Dept. A | 100,000.00 | |
| Productive Labor, Dept. B | 50,000.00 | |
| Manufacturing Exp., Dept. A | 67,000.00 | |
| Manufacturing Exp., Dept. B | 46,000.00 | |
| General Mfg. Expense | 12,000.00 | |
| Selling and Distributing Expense | 17,000.00 | |
| Administrative Expense | 28,500.00 | |
| Cash Discount Allowed | 4,500.00 | |
| Cash Discount Taken | | $ 7,500.00 |
| Gross Sales, Dept. A | | 412,000.00 |
| Gross Sales, Dept. B | | 328,000.00 |
| Returns and Allowances, Dept. A | 6,800.00 | |
| Returns and Allowances, Dept. B | 3,200.00 | |

| | | |
|---|---|---|
| Real Estate | 200,000.00 | |
| Buildings, Dept. A | 100,000.00 | |
| Buildings, Dept. B | 50,000.00 | |
| Machinery and Equipment, Dept. A | 47,500.00 | |
| Machinery and Equipment, Dept. B | 32,500.00 | |
| Office Furniture and Fixtures | 5,000.00 | |
| Prepaid Insurance | 420.00 | |
| Prepaid Taxes | 780.00 | |
| Accounts Payable | | 18,750.00 |
| Notes Payable | | 40,000.00 |
| Accrued Pay Rolls | | 8,000.00 |
| Mortgage Payable | | 75,000.00 |
| Reserve for Bad Accounts | | 4,950.00 |
| Capital Stock—Authorized and Issued | | 300,000.00 |
| Surplus | | 20,000.00 |
| | $1,214,200.00 | $1,214,200.00 |

| Inventories: | Dec. 31, 1913 | Dec. 31, 1914 |
|---|---|---|
| Raw Stock | $35,000.00 | $20,000.00 |
| Work in Progress, Dept. A | 60,000.00 | 70,000.00 |
| Work in Progress, Dept. B | 20,000.00 | 10,000.00 |

Raw stock was issued to departments during the year in the following percentages:

To Dept. A, 2-3 To Dept. B, 1-3

No credit was given to the raw stock account.

It was found that prior to January 1, 1914, depreciation was credited direct to the capital assets as follows:

| | |
|---|---|
| Building, Dept. A | $20,000.00 |
| Building, Dept. B | 10,000.00 |
| Machinery and Equipment, Dept. A | 15,000.00 |
| Machinery and Equipment, Dept. B | 12,000.00 |
| Office Furniture and Fixtures | 2,000.00 |

No depreciation has been included in the current year's operations, but sufficient reserve has been created for bad accounts.

There has been no change in the capital asset account during the current year.

Make any adjustments you deem necessary, covering depreciation prior to January 1, 1914, and provide for current year's depreciation.

Prepare Departmental Trading and Profit and Loss Statements for the year 1914, and submit Balance Sheet as at December 31, 1914.

## PROBLEM 95

The following Profit and Loss account is presented to you for review by the Directors of a company. How would you redraw it to show the exact profit for the period?

| | | | |
|---|---|---|---|
| To Rent | $ 1,672.00 | By Interest on Investments | $ 4,660.00 |
| To Inventory | 15,325.00 | By Inventory | 17,806.00 |
| To Bad Debts | 1,242.00 | By Sales | 83,236.00 |
| To Interim Dividend | 5,000.00 | By Balance from last year | 2,627.00 |
| To Depreciation | 650.00 | By Sundries | 12.00 |
| To Purchases | 66,728.00 | By Reserve Fund transferred | 2,000.00 |
| To Directors' Fees | 2,000.00 | | |
| To Proposed Dividend | 4,000.00 | | |
| To Salaries | 2,463.00 | | |
| To General Expense | 3,791.00 | | |
| To Wages | 7,402.00 | | |
| To Balance | 68.00 | | |
| | $110,341.00 | | $110,341.00 |

## PROBLEM 96

The trial balance of the Good Coal Company on December 31, 19—, is as follows:

| | | |
|---|---|---|
| Plant, Machinery, Inventories, etc. | $5,087,000.00 | |
| Capital Stock | | $4,000,000.00 |
| Notes Receivable | 63,000.00 | |
| Cash | 98,000.00 | |
| Materials Used | 145,000.00 | |
| Coal on Hand, January 1, 19— | 12,750.00 | |
| Labor | 1,973,000.00 | |
| Surplus | | 849,250.00 |
| Supplies Used | 390,000.00 | |
| Injuries to Persons | 8,000.00 | |
| Insurance | 21,000.00 | |
| Sales | | 3,850,000.00 |
| Taxes | 26,500.00 | |
| Office Salaries | 5,000.00 | |
| Officers' Salaries | 20,000.00 | |
| General Office Expenses | 30,000.00 | |
| Rents and Royalties | 260,000.00 | |
| Freight Outward | 365,000.00 | |
| Discount on Sales | 90,000.00 | |
| Sales Expenses | 185,000.00 | |
| Sundry Mining Expenses | 10,000.00 | |
| Accounts Payable | | 90,000.00 |
| | $8,789,250.00 | $8,789,250.00 |

Inventory, coal on hand, December 31, $14,000.00
Output for the year, 1,567,833 tons.

Prepare the operating statements and the financial statement. The former should show the cost per ton of mining, selling and administering the business.

## PROBLEM 97

1. The balance sheet of Smith & Brown is:

| | | | |
|---|---|---|---|
| Cash | $ 100.00 | Accounts Payable | $ 300.00 |
| Notes Receivable | 900.00 | Notes Payable | 200.00 |
| Accounts Receivable | 1,500.00 | Smith, Investment | 2,500.00 |
| Building and Lot | 3,000.00 | Brown, Investment | 2,500.00 |
| | $5,500.00 | | $5,500.00 |

On January 1, 1919, Smith and Brown decide to incorporate, using the same books.

2. Suppose Smith and Brown, mentioned above, decided to use new books for the corporation records and also agreed that good will was worth $1,000 and that the building and lot should be transferred to the corporation at $4,000. Show closing journal entries, placing good will on partnership books.

3. From the following trial balance of A and B partnership, prepare the journal entries necessary to record the formation of a corporation. (a) When old books are to continue in use; (b) when new books are to be opened:

| | |
|---|---|
| Building Lot | $10,000.00 |
| Accounts Payable | 4,000.00 |
| Cash | 1,000.00 |
| Accounts Receivable | 6,000.00 |
| Notes Payable | 5,000.00 |
| Notes Receivable | 2,000.00 |
| A | 6,000.00 |
| B | 4,000.00 |

4. What changes in above entries would be made if good will were taken on the books at $7,000 and outsiders subscribed for $8,000 capital stock?

## PROBLEM 98

1. The Allen Company is organized to take over the partnership business of Allen & Brown. The subscription list shows the following subscriptions: Allen, 1,000 shares; Brown, 1,000 shares; Carnes, 500 shares; Doyls, 100 shares; Elwood, 10 shares; Fraser, 5 shares. Allen & Brown transfer their interest in their business in full payment for their subscriptions. The investment accounts of Allen & Brown are each $80,000. The other subscribers pay cash.

Make the necessary journal and cashbook entries, with the proper explanations.

2. The Allen Company, having an authorized capitalization of $1,000,000 of common stock, has issued $900,000. The directors declare a 6% cash dividend on January 1, 1919, and pay the dividend on March 1, 1919.

Make the necessary entries.

3. Lee and Duncan are partners and decide to form a corporation with an authorized capital stock of $100,000. They agree that good will shall be valued at $20,000. The name of the new corporation is to be the Racine Commercial Company.

The balance sheet of Lee and Duncan, on January 31, 1919, is as follows:

| | |
|---|---|
| **Assets** | |
| Cash | $ 2,000.00 |
| Notes Receivable | 6,000.00 |
| Merchandise | 18,000.00 |
| Accounts Receivable | 10,000.00 |
| Real Estate | 14,000.00 |
| Fixtures | 2,000.00 |
| Delivery Equipment | 3,000.00 |
| **Liabilities** | |
| Accounts Payable | 15,000.00 |
| Notes Payable | 5,000.00 |
| **Proprietary Interest** | |
| Lee, Investment | 20,000.00 |
| Duncan, Investment | 15,000.00 |

Make the closing journal entries on the books of Lee & Duncan, and the opening entries for the Racine Commercial Company. The Racine Commercial Company makes payments to Lee & Duncan exclusively in the stock of the corporation.

W. G. Hinman and P. G. Walker, each subscribers for $10,000 par value of the new stock. Half is paid for in cash with the subscription, and the other half is to be paid for in two equal installments, in 30 days and 60 days, respectively.

Make the necessary journal entries to record these subscriptions and all payments thereon.

## PROBLEM 99

On December 31, 1919, the financial statement of the partnership of X and Y is as follows:

| | | |
|---|---|---|
| **Assets** | | |
| Cash | $ 531.25 | |
| Accounts Receivable | 3,427.75 | |
| Notes Receivable | 1,500.00 | |
| Buildings and Fixtures | 2,400.00 | |
| Merchandise Inventory | 3,327.40 | |
| Office Supplies | 33.60 | |
| | | $11,220.00 |

**Liabilities**

| | | |
|---|---|---|
| Notes Payable | 1,600.00 | |
| Accounts Payable | 2,220.00 | |
| | | 3,820.00 |

**Proprietary Interest**

| | | |
|---|---|---|
| X Capital | 3,700.00 | |
| Y Capital | 3,700.00 | |
| | | 7,400.00 |

X and Y decide to incorporate, as of December 31, 1919, under the name of the Globe Commercial Co. The authorized capital stock is $50,000, of which one-half is preferred 7% stock and the balance common. A, B, C, D and E have each subscribed for 5 shares of preferred stock at par to be paid for as follows: One-half cash down and interest bearing notes at six months for the balance. Good Will is to be valued at $5,000. Each of the other assets, except cash, is to be valued at 10% less than book value. X and Y receive common stock for their interest in the partnership.

Prepare the journal entries necessary to close the partnership books and open the corporation books.

Later, $10,000 par value of common stock is sold at 110 to G. H., to be paid for as follows: 25% down and 25% in each of three monthly installments. Journalize this sale of stock and payment of all installments.

## PROBLEM 100

P and G sell their partnership business to the Wisconsin Hardware Company, and receive in payment stock of the corporation. In addition to giving stock for the net assets of the partnership the Wisconsin Hardware Company gives stock for $5,000 worth of Good Will. Make the closing entries for the partnership and the opening entries for the corporation, using the figures in the following financial statement:

**Assets**

| | | | |
|---|---|---|---|
| Cash | | $ 800.00 | |
| Land | | 5,000.00 | |
| Building | $6,000.00 | | |
| Building Reserve for Depreciation | 900.00 | | |
| | | 5,100.00 | |
| Delivery Equipment | 800.00 | | |
| Less Reserve for Depreciation | 60.00 | | |
| | | 740.00 | |
| Furniture and Fixtures | 1,000.00 | | |
| Less Reserve for Depreciation | 100.00 | | |
| | | 900.00 | |
| Merchandise Inventory | | 10,000.00 | |
| | | | $22,540.00 |

**Liabilities**

| | | |
|---|---|---|
| Accounts Payable | 800.00 | |
| Notes Payable | 1,000.00 | |
| Mortgage on Building | 3,000.00 | |
| | | 4,800.00 |

**Proprietary Interest**

| | | |
|---|---|---|
| P Investment | 10,000.00 | |
| G Investment | 7,740.00 | |
| | | $17,740.00 |

## PROBLEM 101

1. The owner of a business, A, has decided to form a corporation to take over the business. His friends, B, C, D, E and F, agree to take stock in the new corporation. The Balance Sheet of A is as follows:

| | | | |
|---|---|---|---|
| Cash | $ 1,000.00 | Notes Payable | 300.00 |
| Notes Receivable | 500.00 | Accounts Payable | 1,700.00 |
| Accounts Receivable | 2,000.00 | Mortgage Payable | 5,000.00 |
| Merchandise | 8,000.00 | A (Capital Account) | 14,500.00 |
| Real Estate and Building | 10,000.00 | | |
| | $21,500.00 | | $21,500.00 |

The new corporation, X, is to have a capital stock of $25,000 (250 shares, par value $100 each) of which A is to receive $20,000 in paid-up stock for his interest in the business. B, C, D, E and F, each subscribe for 10 shares of stock, each paying $500 in cash on his subscription, and giving his 30-day note for the balance.

Required:

(a) The proper entries if the old books of A are to used by the X corporation.

(b) The proper entries if new books are to be opened for the X corporation.

2. Outline the proper entries for recording the increase of the capital stock of the X corporation to $35,000, assuming that the entire amount of the increase is subscribed and one-half of the amount paid for. (Permission of the state authorities is assumed).

3. Discuss the possible reasons for the reduction of the capital stock of a corporation. After the amount of the capital stock had been increased to $35,000 assume that a deficit of $3,000 occurs from the operations of the X corporation during the first fiscal year. What would be the proper entries to record a corresponding reduction in the capital stock (assuming permission of the state authorities) under the following conditions:

(a) If the appropriation account has not been closed.

(b) If the appropriation account has been closed.

4. What would be the proper entries under each of the above conditions were permission granted to reduce the stock $5,000, the deficit still remaining only $3,000?

5. Disregard the reduction in stock referred to in questions 3 and 4. Consider the total amount of capital stock still to be $35,000. Assume that the net earnings of the X corporation are $5,000. Outline the proper entries for the following:

(a) The declaration of a 2% dividend on the outstanding capital stock.

(b) The payment of this dividend in cash.

## PROBLEM 102

1. A corporation has been organized under the laws of the state of Wisconsin to conduct a manufacturing business, with an authorized capital stock of $1,500,000—divided into $1,000,000 preferred and $500,000 common. Fifteen incorporators each subscribe for 500 shares of preferred stock (par value $100).

The board of directors were authorized by the stockholders to purchase the fully equipped plants of two manufacturing concerns in a similar business for $890,000. The payment was made by turning over the balance of the preferred stock, $250,000 of common stock, and $390,000 of first mortgage 4%

bonds, out of a total issue of $500,000, leaving $110,000 of said bonds in the company's treasury.

Prepare opening journal entries with necessary explanations of the transactions.

2. A firm desires to transfer its property to a corporation duly organized to carry on the business. The net assets of the firm consist of the following:

| | |
|---|---|
| Lands and Buildings | $150,000.00 |
| Inventory | 100,000.00 |
| Accounts Receivable | 150,000.00 |
| Good Will and Patents | 100,000.00 |
| Cash | 50,000.00 |
| | $550,000.00 |

It is proposed to issue in full payment therefor, common stock aggregating the sum of $500,000, of which each partner is to receive his proportionate share, according to his interest in the firm, viz: Jones 60%; Brown, 25%, and Smith 15%.

(a) Prepare opening entries for the new company.
(b) Prepare a statement of assets and liabilities.
(c) State what amount of each class of securities each of the partners should receive. (Michigan, 1917).

### PROBLEM 103

1. A corporation purchased a business as a going concern on January 1, 1908, with a right to the profits from October 1, 1907. Its capital is:

| | |
|---|---|
| 5 per cent. First Preferred Stock | $250,000.00 |
| 6 per cent. Second Preferred Stock | $250,000.00 |
| Common Stock | $124,000.00 |

The year's profits to September 30, 1908, were found to have been $38,320.00. What appropriation of such profits would you consider to be correct? (Illinois, May, 1909).

2. A corporation has a capital stock of $100,000.00. It has assets at inventory value amounting to $160,000.00. With a view to reducing the number of its enterprises, it sells two of its stores for $85,000.00 at inventory value. This $85,000.00 is distributed among its stockholders. What entries should be made upon the books, and what procedure would you recommend in order to safeguard all interests in making such distribution? (Illinois, November, 1904.)

3. A corporation's profits for the year ended December 31, 1921, amounted to $451,000. The by-laws require a reserve equal to 10 per cent. of any dividend paid to the common stockholders, and any surplus remaining after such dividend has been paid is also to be applied to the reserve, until such reserve account amounts to $250,000. The reserve at December 31, 1920 was $156,020. The capital is $2,000,000—one-half cumulative preference 6 per cent. and one-half common stock, all fully paid. On December 31, 1921, the preferred dividend is two and one-half years in arrears. On December 31, 1920, there was a deficit of $202,000.

How would you treat the profits for 1921?

4. The profits of a corporation with a paid-up capital of $5,000,000.00, amount to $337,193.08 for a given year, without allowing for its mortgage interest. At the end of the previous financial year there was left a balance of undivided profits of $27,806.92.

Its 4 per cent. mortgages are $500,000.00 and its 6 per cent. mortgages

are $750,000.00. How much must be taken from the previous year's surplus balance to pay the stockholders a dividend of 6 per cent. (Illinois, May, 1911.)

5. At the close of its fiscal year, December 31, 1920, a manufacturing corporation had a net working capital of $75,240.16, consisting of: Cash, $6,248; Accounts Receivable, $50,169; Notes Receivable, $40,000; Merchandise Inventory, $28,146; less Labor Accrued, $4,689; Accounts Payable, $20,684, and Notes Payable, $23,949.84.

During the year 1920 the management erected an addition to its main factory building, costing $14,468, and installed additional equipment costing $16,489.

After closing the books on December 31, a dividend of $30,000 was declared out of net profits for the year, amounting to $45,689. The company was obliged to borrow the money to pay the dividend.

Why was it necessary to borrow the money? Was it advisable?

## PROBLEM 104

1. A company issues $500,000 of common stock in payment of patents expiring in 10 years. It hopes, by securing additional patents for improvements, to extend the period of protection indefinitely. At the end of the first year the company, after making all other charges except depreciation of patents, has a realized profit of $50,000.

Is there any balance for dividends?

2. A manufacturing company asks you to determine its average annual operating profits, for the past five years. After charging all costs, expenses and depreciation, and allowances for bad debts, etc., it is found that the profits for the first year were $30,000; second year, $37,000; third year, $35,400; fourth year, $43,200; fifth year, $38,700. Included in the second year's profits is profit on sale of real estate, $3,750; in the third year's profits, $7,500 profit on investments; in the fifth year's profits, $8,600 profit on real estate. What would you certify as the average annual operating profit?

3. The directors of a corporation incorporated in their minutes a resolution to increase on their books the value of their land and buildings by $125,000.00. Surplus account to be credited. The explanation accompanying the resolution was that adjacent property had recently been sold at about that proportionate advance. An entry in accordance with this resolution was placed on the books.

During the year a 6% annual dividend was paid on the outstanding capital of $1,750,000.00, and you find in your examination of the accounts at the end of the fiscal year that the surplus account shows a credit balance of $6,000, the books having been closed.

Discuss fully the propriety of the actions of the Board of Directors, including your reasons for any exceptions that you might take. (Pennsylvania, 1917.)

4. By a charter provision a company is directed to annually retire 10% of its 6% dividend-paying preferred stock. This preferred stock is now worth, say 115 in the market, and during the past year the company succeeded in buying in 2,000 shares, of the par value of $100.00 at $90.00, borrowing for that purpose $180,000.00 for four months at 4% and paying the note at maturity.

1. What is the amount of profit?
2. How should the amount be treated in the company's statements?
3. Would the directors be justified in utilizing the amount for the payment of a common stock dividend?

## PROBLEM 105

Smith and Roberts are partners, trading under the name of Smith-Roberts & Co. The following is a trial balance of the partnership books:

| | | |
|---|---|---|
| Cash | $ 12,300.00 | |
| Notes Receivable | 32,700.00 | |
| Accounts Receivable | 47,000.00 | |
| Merchandise Inventories | 3,650.00 | |
| Furniture and Fixtures | 3,000.00 | |
| Buildings | 13,000.00 | |
| Real Estate | 50,000.00 | |
| Notes Payable | | $ 30,000.00 |
| Accounts Payable | | 13,100.00 |
| Purchases | 84,000.00 | |
| Sales | | 152,000.00 |
| Advertising | 2,600.00 | |
| Commissions Paid | 3,050.00 | |
| General Administrative Expense | 12,900.00 | |
| Office Salaries | 9,300.00 | |
| Insurance Prepaid (1 year) | 625.00 | |
| Cash Discount on Sales | 375.00 | |
| Interest Paid | 175.00 | |
| Discount on Purchases | | 550.00 |
| Collection and Exchange | 25.00 | |
| Postage | 1,650.00 | |
| J. Smith, Drawing Account | 2,400.00 | |
| F. Roberts, Drawing Account | 1,900.00 | |
| J. Smith, Capital Account | | 50,000.00 |
| F. Roberts, Capital Account | | 35,000.00 |
| | $280,650.00 | $280,650.00 |

Notations:

Inventory on hand, $5,365.00.
Unexpired insurance, 4 months.
Unused advertising materials, $165.00.
Office salaries due, $240.00.
Division of profits, Smith, 5/8; Roberts, 3/8.

Prepare the operating and the financial statements.

Smith and Roberts decide to form a corporation, the Excelsior Company. The company is incorporated for $200,000, of which Smith is to receive $91,000 for his interest in the business and Roberts is to receive $59,000 for his interest. In order to provide additional working capital, Smith donated 10 shares of stock, which are sold to Taylor, for $750 cash.

(a) Show journal entries necessary to close the books of the old partnership of Smith-Roberts & Co.
(b) Show journal entries necessary to open the books of the corporation.
(c) Outline the entries to record the stock donated by Smith and later sold.
(d) Prepare the financial statement of the new corporation.

## PROBLEM 106

John Mathews and Richard Grady started in business in 1915, as a partnership, and although the business was incorporated at December 31, 1920, the old books were continued and no entries have yet been made to record the fact of the incorporation.

The assets and liabilities of the firm on December 31, 1920 are shown as follows:

| | | | | |
|---|---|---|---|---|
| Cash | $ 3,000.00 | Notes Payable | | $ 20,000.00 |
| Accounts Receivable | 20,000.00 | Accounts Payable | | 25,000.00 |
| Notes Receivable | 10,000.00 | Mathews | $50,000.00 | |
| Inventories | 50,000.00 | Grady | 44,000.00 | |
| Land | 15,000.00 | | | 94,000.00 |
| Buildings | 25,000.00 | | | |
| Machinery and Equipment | 16,000.00 | | | |
| | $139,000.00 | | | $139,000.00 |

The market value of the land is $20,000 and it is agreed to take it over at that amount.

Machinery and equipment should be depreciated 15%, the merchandise 2% and the accounts receivable 1%.

The authorized capital is $200,000.00, of which $100,000.00 is subscribed for by outsiders, and the remaining $100,000.00 is divided between the partners.

(a) Prepare closing entries for the books of the partnership after taking the above notations into consideration.

(b) Prepare opening entries for the books of the corporation. (Illinois, May, 1915.)

## PROBLEM 107

Scott and Mackey are partners, trading under the name of Scott-Mackey & Company. The following is a financial statement of the partnership books:

| | | |
|---|---|---|
| Cash | $ 10,000.00 | |
| Accounts Receivable | 125,000.00 | |
| Inventories | 75,000.00 | |
| Notes Receivable | 45,600.00 | |
| Land and Buildings | 208,000.00 | |
| Good Will | 100,000.00 | |
| | | $563,600.00 |
| Accounts Payable | $ 75,600.00 | |
| Notes Payable | 16,000.00 | |
| | | 91,600.00 |
| Scott, Capital | $200,000.00 | |
| Mackey, Capital | 272,000.00 | |
| | | 472,000.00 |

They decide to incorporate under the name O. K. Company. Scott is to receive $250,000.00 for his interest and Mackey is to receive $300,000.00. In order to provide additional working capital, they donate back to the corporation 20 shares of stock.

(a) Prepare closing entries for the old books.

(b) Prepare opening entries for the new books. (Michigan, 1917).

## PROBLEM 108

The Supreme Shoe Company's subscription book was opened December 21, 1920, in accordance with the provisions of the Corporation Act of the State of Wisconsin. The capital stock of $80,000 in shares of $100 each was subscribed as follows:

| | | |
|---|---|---|
| John Graham | 180 shares | $18,000.00 |
| Ralph Snider | 125 " | 12,500.00 |
| Lewis Bancroft | 140 " | 16,000.00 |
| Charles Colby | 80 " | 8,000.00 |
| Ray Jones | 40 " | 2,000.00 |
| Carl Gibbons | 235 " | 23,500.00 |

All the subscriptions were paid for in cash.

At the meeting of the Board of Directors, held on the 5th day of January, 1921, the secretary presented to the meeting a communication from John Graham. The communication was an offer to sell and transfer to the company, by instruments of conveyance and transfer, all the assets, subject to the liabilities of the business now being conducted by John Graham & Son.

The condition of John Graham & Son on December 31, 1920 was:

| | | | |
|---|---|---|---|
| Cash | $ 6,280.00 | Notes Payable | $ 4,600.00 |
| Accounts Receivable | 4,690.00 | Accounts Payable | 3,294.00 |
| Notes Receivable | 3,246.00 | Accrued Interest on Notes P.. | 125.00 |
| Furniture and Furnishings | 5,480.00 | Net Worth | 73,202.00 |
| Machinery | 10,924.00 | | |
| Raw Material Inventory | 14,614.00 | | |
| Goods in Process Inventory | 19,468.00 | | |
| Finished Goods Inventory | 15,230.00 | | |
| Unexpired Insurance | 1,289.00 | | |
| | $81,221.00 | | $81,221.00 |

The stockholders of the corporation authorized the officers to purchase the business of John Graham & Son for $75,000.

In order to provide working capital, each stockholder donated twenty shares of stock to the corporation. All the shares were immediately disposed of as follows:

40 shares at $ 95.00.
30 shares at par.
50 shares at $110.00.

(a) Closing entries on the books of Graham & Son.
(b) Opening entries for the corporation.
(c) Entries recording the donation of stock.

## PROBLEM 109

On April 1, 1912, W. B. Hone, A. J. Hone and F. G. Hone, all being general partners in the firm of L. B. Hone's Sons, building contractors, decided, in order to preserve the organization of their business in case of the death of any of the partners, to incorporate.

Accordingly, they filed a certificate of incorporation with the Secretary of State at Albany, and paid the organization tax and filing fee in the amount of $15.75 ($12.50 tax, $3.25 filing fees) out of $500 advanced by W. B. Hone. The par value of the shares was $100 each.

The balance sheet of the co-partnership was as follows: Assets, land and buildings (net value), $35,000; machinery and tools (net value), $9,500; 10M Mich. Cent. 4's (cost), $9,887.50; horses, wagons and harness (net value), $500; furniture and fixtures (net value), $1,000; building materials, $7,929.04; contracts in progress, $18,417.23; cash, $12,395.84; accounts receivable, $22,486.75; notes receivable and interest, $3,025.17; unexpired insurance, $425. Liabilities and capital: taxes accrued, $125; salaries and wages accrued, $250; accounts payable, $7,528.82; capital W. B. Hone, $40,237.28; capital A. J. Hone, $35,182.16; capital F. G. Hone, $37,243.27.

Upon the formation of the corporation and the taking over of the business, each partner received 83⅓ shares of stock and notes bearing interest at the rate of 6% per annum for the balance of his capital account. The corporate name was L. B. Hone's Sons, Incorporated.

After the new books had been opened it was discovered that charges to contracts in the amount of $325.72 had been omitted from the schedule and that $53.75 had been omitted from the accounts payable. On April 3 a check

in the amount of $100 was received from the firm's brokers for interest, due April 1, which had been collected on the Mich. Cent. 4's. The check was handed to W. B. Hone.

Prepare:

(a) Journal entries opening the books of the corporation.

(b) Balance sheet of the corporation, April 1, 1912.

(c) Skeleton ledger accounts showing the closing of the firm's books.

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## PROBLEM 110

John Doe and Richard Roe started in business January 1, 1920, as a partnership. The business was incorporated at December 31, 1920, the old books were continued and no entries have yet been made to record the fact of the incorporation.

The assets and liabilities of the firm at December 31, 1920, are shown on the books as follows:

| | | | | |
|---|---|---|---|---|
| Land | $ 10,000.00 | Notes Payable | | $ 10,000.00 |
| Building | 20,000.00 | Accounts Payable | | 15,000.00 |
| Machinery and Equipment | 15,000.00 | Capital Accounts: | | |
| Accounts Receivable | 25,000.00 | John Doe | $45,000.00 | |
| Notes Receivable | 5,000.00 | Richard Roe | 54,000.00 | |
| Cash | 4,000.00 | | | 99,000.00 |
| Merchandise | 45,000.00 | | | |
| | $124,000.00 | | | $124,000.00 |

No definite agreement has yet been reached as to the disposition of the difference in the capital accounts of the partners.

Give the journal entries necessary to adapt the books of the partnership to the use of the corporation based on the following information. Also prepare a financial statement after they have been posted.

The authorized capital stock is $200,000.00, of which $150,000.00 has been issued to the partners equally.

Profits and losses have been shared equally in the past.

The market value of the land is $17,000.00, and it is desired to include it at this figure.

The depreciation of the building has been offset by the appreciation of building materials and by the improvements charged to expense.

The machinery and equipment should be depreciated 15%, the merchandise 2%, and the accounts receivable 1%. (Illinois, May, 1915.)

## PROBLEM 111

Upon the examination of the partnership accounts of a manufacturing business the following conditions are revealed:

1. Sales toward the end of the period are unusually large.

2. A large deposit in bank is made on the closing fiscal date, which amount is credited to the bank two weeks later.

3. Machinery sold has been credited to merchandise sales.

4. A loan to the firm has been credited by mutual consent to the capital account of one of the partners.

5. Depreciation or discount from the value of a certain class of the inventory, instead of being 30 per cent., as in prior years, is shown as 10 per cent.

What would you deduce from these facts, and what would you feel called upon to do by way of extended inquiry or report in each of these instances? (Illinois, December, 1910.)

## PROBLEM 112

1. The Trial Balance of A, B and C, sharing profits and losses equally, shows the following facts:

| | |
|---|---|
| Plant and Machinery | $ 14,000.00 |
| Factory Fixtures | 2,000.00 |
| Furniture and Fixtures in Sales Room | 3,000.00 |
| Furniture and Fixtures | 1,500.00 |
| Tools | 1,500.00 |
| Accounts Receivable | 19,500.00 |
| Notes Receivable | 16,300.00 |
| Accounts Payable | 18,700.00 |
| Notes Payable | 4,000.00 |
| Rent of Factory | 4,000.00 |
| Labor | 32,000.00 |
| Factory Expense | 3,200.00 |
| Power, Light and Heat | 8,800.00 |
| Raw Materials Purchased | 31,000.00 |
| Freight Inward | 500.00 |
| Factory Supplies | 900.00 |
| Discount on Purchases | 1,500.00 |
| Discount on Sales | 1,100.00 |
| Sales | 152,000.00 |
| Returned Sales | 200.00 |
| Insurance on Factory | 1,400.00 |
| Repairs to Machinery | 1,500.00 |
| Rent of Sales Room | 3,000.00 |
| Commission Paid by Us | 1,800.00 |
| Salesmen Expenses | 3,000.00 |
| Advertising | 1,000.00 |
| Freight Outward | 1,200.00 |
| Packing Materials | 700.00 |
| General Expense | 3,000.00 |
| Office Salaries | 6,000.00 |
| Office Rent | 1,200.00 |
| General Insurance | 900.00 |
| Postage and Express | 500.00 |
| Stationery and Printing | 1,100.00 |
| Interest Paid | 400.00 |
| A Drawing Account, Dr | 4,275.00 |
| B Drawing Account, Dr | 2,700.00 |
| C Drawing Account, Dr | 2,025.00 |
| A Investment Account | 9,500.00 |
| B Investment Account | 6,000.00 |
| C Investment Account | 4,500.00 |
| Cash to Balance | |

Inventories on hand are as follows: Raw material, $5,300; Goods in Process of Manufacture, $3,200; Finished Goods, $3,000; Unexpired Insurance, $250; Depreciation on Plant and Machinery, 10%; Estimated Bad Debt Loss, 1%.

They agree to incorporate the business under the name of A & B Furniture Co., after making a complete operating statement. The new company is to incorporate for $100,000. A to get 25 shares at $100 per share; B 22 shares; C 20 shares, and the subscription list contains names of subscribers to the extent of 21 shares and the remainder is unissued.

Supposing you were employed to make the change, what would you do (1) if they requested you to use an entirely new set of books; (2) to use old books? Make all entries complete.

## PROBLEM 113

### (Adapted from English Examination, May, 1907)

The directors of a corporation ask you to draft their Operating Statement and Financial Statement, to be submitted to the annual stockholders' meeting. The following is the trial balance:

| | |
|---|---|
| Good Will | $ 200,000.00 |
| Rents Payable | 7,500.00 |
| Bonds in X Company | 100,000.00 |
| Expenses Connected with Underwriting Bonds of X Co. | 5,000.00 |
| Cash | 40,000.00 |
| Real Estate | 10,000.00 |
| Buildings and Equipment | 715,000.00 |
| Accounts Receivable | 45,000.00 |
| Notes Receivable | 15,000.00 |
| Taxes | 2,500.00 |
| Interest on Loan and Bonds | 25,000.00 |
| Directors' and Auditors' Fees | 5,525.00 |
| Depreciation of Plant | 25,000.00 |
| Petty Cash | 125.00 |
| Legal Expenses | 1,000.00 |
| Inventories | 100,000.00 |
| | $1,296,650.00 |
| Gross Profit | $ 125,000.00 |
| Rents Receivable | 15,000.00 |
| 4% Bonds Issued | 500,000.00 |
| Interest Half Year Thereon | 10,000.00 |
| Commission for Underwriting X Company Bonds | 30,000.00 |
| Accounts Payable | 6,000.00 |
| Notes Payable | 15,000.00 |
| Reserve for Depreciation | 25,000.00 |
| Reserve for Bad Debts | 1,500.00 |
| Deposits of Employes | 3,500.00 |
| Special Loan Payable | 100,000.00 |
| Capital Stock | 450,000.00 |
| Surplus | 15,650.00 |
| | $1,196,650.00 |

## PROBLEM 114

### (Adapted from the English Intermediate Examination, May, 1907)

Prepare a financial statement of the O. K. Company, as at December 31, 19—, from the following:

| | |
|---|---|
| Land and Buildings | $190,000.00 |
| Inventories | 200,000.00 |
| Capital Stock Authorized: | |
| Common | 300,000.00 |
| Preferred | 200,000.00 |
| Capital Subscribed and Paid: | |
| Preferred | 200,000.00 |
| Common | 270,000.00 |
| Plant and Machinery | 80,000.00 |
| Mortgage Bonds | 50,000.00 |
| Additions to Plant During Year | 10,000.00 |
| Accounts Receivable | 100,000.00 |
| Cash on Hand | 500.00 |
| Accounts Payable | 15,500.00 |
| Notes Payable | 10,000.00 |
| Cash on Deposit | 5,000.00 |
| Dividends Payable | 100.00 |

| | | |
|---|---|---|
| Notes Receivable (in addition to which notes amounting to $2,500.00 were under discount) | | 5,500.00 |
| Surplus: | | |
| Balance from Last Year | $ 1,000.00 | |
| This Year's Net Profit | 33,600.00 | |
| | | 34,600.00 |
| Organization Expenses | | 500.00 |
| Reserve for Depreciation | | 11,800.00 |

## PROBLEM 115

### (Adapted from English Examination, November, 1907)

The following is the Trial Balance of the K Company, on December 31, 1906:

| | | |
|---|---|---|
| Capital Stock | | $400,000.00 |
| Land and Buildings | $162,500.00 | |
| Machinery and Plant | 102,500.00 | |
| Stock, January 1, 1906 | 87,920.00 | |
| Purchases | 123,410.00 | |
| Wages | 51,110.00 | |
| Office Salaries and Expenses | 13,420.00 | |
| Taxes and Insurance | 3,720.00 | |
| Discounts on Sales | 5,410.00 | |
| Metropolitan Bank | 18,420.00 | |
| Sundry Debtors | 44,455.00 | |
| Sundry Creditors | | 12,920.00 |
| Cash in Hand | 470.00 | |
| Bad Debts | 3,110.00 | |
| Sales, Less Returns | | 226,825.00 |
| Repairs | 2,040.00 | |
| Patents, Cost | 21,000.00 | |
| | $639,735.00 | $639,735.00 |

Upon audit it appears that a purchase of goods in December to the amount of $2,410, unpaid on December 31, 1906, has been omitted and also that Machinery and Plant account has been debited with a sum of $345, which should have been charged to Repairs. Prepare the operating and the financial statements, correcting the above errors, and writing $5,000 off Machinery and Plant and 10% off Patents. The stock on December 31, 1906, was valued at $98,400.

## PROBLEM 116

### (North Carolina, 1919)

From the following accounts, prepare a Balance Sheet that will exhibit a correct view of the Net Worth:

| | |
|---|---|
| Accounts Receivable | $ 50,000.00 |
| Accounts Payable | 20,000.00 |
| Bonds Outstanding | 100,000.00 |
| Cash on Hand | 100,000.00 |
| Common Stock Outstanding | 100,000.00 |
| Dividends on Preferred Stock Due and Unpaid | 10,000.00 |
| Inventories at Cost | 10,000.00 |
| Notes Receivable | 5,000.00 |
| Notes Payable | 213,000.00 |
| Plant Account (at cost) | 200,000.00 |
| Preferred Stock Outstanding | 100,000.00 |
| Profit and Loss (Debit Balance) | 126,000.00 |
| Reserve for Depreciation | 30,000.00 |

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